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FEDERAL ELECTION COMMISSION  
WASHINGTON DC 20463

Nov 19 3 41 PM '98

November 19, 1998

**MEMORANDUM**

**TO:** The Commissioners  
**THROUGH:** James A. Pehrkon *JAP*  
Acting Staff Director  
**FROM:** Robert J. Costa *RJ*  
Assistant Staff Director  
Audit Division

**AGENDA ITEM**  
For Meeting of: 12/3/98

**SUBJECT:** REPORT OF THE AUDIT DIVISION ON CLINTON/GORE '96  
PRIMARY COMMITTEE, INC.

Attached for your review is the subject audit report. Also attached are five memoranda from the Office of General Counsel which together contain a legal analysis of the audit report. The legal analysis was provided in separate memoranda so that needed revisions could be made more timely. The narrative portion of the Committee's response to the Exit Conference Memorandum is also attached. Immediately following this memorandum is a table of contents for the entire package to aid in locating subject matter in all of the documents. In order to provide a convenient page reference, the package has been page numbered consecutively at the bottom of the pages beginning with the first page of the audit report. Those page numbers are the ones noted on the table of contents.

The Office of General Counsel and the Audit Division are in agreement with the contents of the audit report. Certain portions of the Primary Committee's response have been expunged pursuant to 11 C.F.R. Part 2.

In addition to the documents referenced in the Audit Reports, the Audit Division reviewed the following information in reaching these conclusions: (1) documents obtained from the candidate committees, the national and state party committees, and media and polling vendors; (2) committee responses to the ECMs; (3) documents made publicly-available by the Senate Governmental Affairs Committee Report on the Investigation of Illegal or Improper Activities in Connection with 1996 Federal Election Campaigns; and (4) disclosure reports and other documents available to the Commission.

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This report is being circulated for placement on the Agenda for the Open Session Meeting of December 3, 1998.

A complete copy of the Primary Committee's response, including Exhibits, is available in the Commission Secretary's Office. Should you have any questions, please contact Tom Nurthen (Audit Manager) or Leroy Clay (Lead Auditor) at 694-1200.

**Attachments:**

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

**REPORT OF THE AUDIT DIVISION  
ON  
CLINTON/GORE '96 PRIMARY COMMITTEE, INC.**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of the Clinton/Gore '96 Primary Committee, Inc. (the Primary Committee). The audit is mandated by Section 9038(a) of Title 26 of the United States Code. That section states that "After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under section 9037." Also, Section 9039(b) of Title 26 of the United States Code and Section 9038.1(a)(2) of the Commission's Regulations state that the Commission may conduct other examinations and audits from time to time as it deems necessary.

In addition to examining the receipt and use of Federal funds, the audit seeks to determine if the campaign has materially complied with the limitations, prohibitions, and disclosure requirements of the Federal Election Campaign Act of 1971(FECA), as amended.

This report is a staff document. The analysis of the facts, interpretation of applicable law, and the conclusions reached have not been considered or approved by the Commission.

**B. AUDIT COVERAGE**

The audit of the Primary Committee covered the period from its inception, April 10, 1995 through December 31, 1997. The Primary Committee reported an opening cash balance of \$-0-; total receipts of \$44,753,599; total disbursements of \$44,603,123; and a closing cash balance of \$150,476.

### C. CAMPAIGN ORGANIZATION

The Primary Committee registered with the Federal Election Commission on April 14, 1995. The Treasurer of the Primary Committee is Ms. Joan Pollitt. The Primary Committee maintains its headquarters in Washington, DC.

During the period audited, the Primary Committee maintained depositories in the District of Columbia, Arkansas, Georgia, New York and Texas. To handle its financial activity, the Primary Committee utilized a total of 9 bank accounts. From these accounts the campaign made approximately 23,654 disbursements. Approximately 293,043 contributions from 190,426 persons were received. These contributions totaled \$28,987,800.

In addition to the above contributions, the Primary Committee received \$13,412,198 in matching funds from the United States Treasury. This amount represents 87% of the \$15,455,000 maximum entitlement that any candidate could receive. The Candidate was determined eligible to receive matching funds on October 31, 1995. The Primary Committee made a total of 9 matching fund requests totaling \$14,245,229. The Commission certified 94.15% of the requested amount. For matching fund purposes, the Commission determined that President Clinton's candidacy ended on August 28, 1996. This determination was based on Section 9032(6) of Title 26 of the United States Code which states that the matching payment period ends "on the date on which the national convention of the party whose nomination a candidate seeks nominates its candidate for the office of President of the United States, ..." see also 11 CFR §9032.6. On August 2, 1996 the Primary Committee received its final matching fund payment to defray expenses incurred through August 28, 1996 and to help defray the cost of winding down the campaign.

### D. AUDIT SCOPE AND PROCEDURES

In addition to a review of the committee's expenditures to determine the qualified and non-qualified campaign expenses incurred by the campaign (see Finding III.B.), the audit covered the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations;
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations (see Finding II.A.);
3. *proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as the completeness and accuracy of the information disclosed;*

4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. proper disclosure of campaign debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records;
7. adequate recordkeeping for campaign transactions;
8. accuracy of the Statement of Net Outstanding Campaign Obligations filed by the Clinton/Gore '96 Primary Committee, Inc. to disclose its financial condition and to establish continuing matching fund entitlement (see Finding III.E.);
9. the Primary Committee's compliance with spending limitations (see Finding III.D.); and
10. other audit procedures that were deemed necessary in the situation (see Finding III.F.).

As part of the Commission's standard audit process, an inventory of campaign records is normally conducted prior to the audit fieldwork. This inventory is conducted to determine if the auditee's records are materially complete and in an auditable state.

The inventory began on January 6, 1997. Due to the unavailability of records, the Audit staff suspended fieldwork on January 22, 1997. Prior to leaving, an itemized list of records needed was provided to the Primary Committee. These records, consisting of: bank statements and enclosures for three campaign depositories; check registers for certain operating and payroll accounts; records relative to in-kind contributions, campaign travel, campaign materials, Primary Committee credit cards, media placements, public opinion polls, fundraising, event and allocation codes; workpapers detailing FEC report preparation and components for the Statement of Net Outstanding Campaign Obligations; copies of all Primary Committee contracts/agreements; copies of IRS forms 940 and 941; a listing of key personnel, including positions and responsibilities; and, Computerized Magnetic Media for disbursements were initially requested in writing during the period January 7, 1997 through January 22, 1997.

In a letter dated January 29, 1997, the Primary Committee was notified that the records were to be made available on or before February 21, 1997; with respect to records not made available, the Commission would issue subpoenas for production of the

records not only to the Primary Committee, but also to vendors, banks or any other persons in possession of relevant materials. In addition, the Audit staff identified records that, at a minimum, had to be made available before fieldwork could resume.

In addition, on January 8, 1997, the Audit staff was instructed that all requests for vendor files would be directed to a designated staff person and that such requests would be limited to documentation associated with a block of no more than 500 checks (e.g., check numbers 1000 - 1499). The Audit staff met with Primary Committee representatives on January 15, 1997 in an attempt to reach a workable solution as to access. A solution was not reached and Primary Committee counsel was notified that we were prepared to recommend subpoenas for all vendor files in the event that a reasonable solution could not be worked out. On February 19, 1997, Audit Division representatives met with Primary Committee counsel to discuss resuming fieldwork and access to vendor files. A workable solution as to access was reached.

Audit fieldwork resumed on February 24, 1997. However, the Primary Committee continued to delay production of records. The Audit staff was informed that attorneys had to review all records prior to them being made available to the Audit staff. In certain instances, the Primary Committee refused to make records available and in other instances, were not initially accurate as to the existence and/or availability of certain records requested. For example, the Primary Committee refused to make available bank records pertaining to the bank account maintained by the media vendors who placed and paid for media buys on behalf of the Primary Committee (see Finding III.A.). Further, the Primary Committee refused to make available, without conditions and/or restrictions, copies of all polls conducted on its behalf. With respect to certain electronic spreadsheets for fundraising and/or legal and accounting allocations, as well as other computerized records, Primary Committee representatives stated on numerous occasions that such records could not or would not be made available in a computerized format. When continuing to inquire why these records could not be made available in a computerized format, the Audit staff was informed by the Primary Committee's accountant that the Primary Committee's Chief Counsel had said that computerized records were not to be made available to the Audit staff. The Audit staff made repeated attempts to meet with Counsel, however, no such meeting was ever scheduled. Near the end of fieldwork, in 1998, certain electronic spreadsheet records were eventually provided.

As a result, during the period May 28, 1997 through February 3, 1998, the Audit staff requested the Office of General Counsel to prepare subpoenas for the production of records. The Commission issued 22 subpoenas to either the Primary Committee or respective vendors in order to obtain records generally made available to the Audit staff at the beginning of fieldwork.<sup>1</sup>

<sup>1</sup> Records concerning payments made by the Primary Committee's media vendors on behalf of the Democratic National Committee are not in this category.

It is the opinion of the Audit staff that the delays in production of records by the Primary Committee resulted in wasting numerous staff hours which directly delayed the completion of the audit fieldwork a minimum of four months.

Accordingly, the scope of work performed was limited due to delays encountered in obtaining records necessary to perform the audit. Certain findings in the Memorandum were supplemented with information obtained from sources other than the Primary Committee.

The Primary Committee as part of its response to the Exit Conference Memorandum made various comments concerning the Audit staff's discussion of the scope of the audit. The Primary committee asserted that this section of the audit report provided a distorted and incomplete view of the process, and then provides certain examples of "mischaracterizations" included therein. Further, the Primary Committee claimed that "[d]espite its full cooperation with these numerous and often conflicting requests, always maintained a cooperative posture during the audit process *"for all information requested that was reasonably within the scope of the audit."* (Emphasis not in original.)

Various examples and explanations were cited, such as: logistical problems inherent with the Primary Committee's move to new offices; the auditors' demand for additional office space at that location; that "no existing record in the Primary Committee's possession was refused;" that the Audit Division refused all attempts at cooperative compromise pertaining to gaining access to the Primary Committee's media vendor's records; and that the auditors repeatedly insisted that particular records which the Primary Committee "did not have" in a computerized format be created.

The Audit staff stands by the scope limitation and related discussion as presented in the Exit Conference Memorandum and this report. The candidate agreed as a condition to obtaining matching funds to: furnish all documents related to disbursements and receipts, including computerized information; furnish all documentation relating to disbursements made on the candidate's behalf by other organizations; permit an audit and examination of all receipts and disbursements including those made by the candidate, authorized committee or any agent authorized to make expenditures on behalf of the candidate or authorized committee. Further, the candidate agreed to facilitate the audit by making available in one central location office space, records and such personnel as are necessary to conduct the audit and examination. The candidate and committee agreements provided for at 11 CFR §9033.1 were signed in October, 1995.

As detailed above, certain records necessary to the conduct of the audit were not made available at the commencement of audit fieldwork in January, 1997 and in some cases were not made available until subpoenas were issued by the Commission to compel production. The Primary Committee is entitled to express its opinion and attempt to explain why it feels "[i]t would be utterly inappropriate for such a distorted and one-

sided description of the process to be included in the proposed draft Final Audit Report." The Primary Committee's response will be included in the documents available to the Commission when the audit report is considered in open session.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in the audit report in an enforcement action.

## II. FINDINGS AND RECOMMENDATIONS - NON-REPAYMENT MATTERS

### A. RECEIPT OF PROHIBITED CONTRIBUTIONS RESULTING FROM EXTENSIONS OF CREDIT BY COMMERCIAL VENDORS

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution in connection with any election for Federal office.

Section 116.3(a) of Title 11 of the Code of Federal Regulations states that a commercial vendor that is not a corporation may extend credit to a candidate, a political committee or another person on behalf of a candidate or political committee. An extension of credit will not be considered a contribution to the candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendor's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation. Section 116.3(b) of Title 11 of the Code of Federal Regulations states that a corporation in its capacity as commercial vendor may extend to a candidate, a political committee or another person on behalf of a candidate or political committee provided that the credit extended in the ordinary course of the corporation's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation.

Section 116.3(c) of Title 11 of the Code of Federal Regulations states that in determining whether credit was extended in the ordinary course of business, the Commission will consider: (1) whether the commercial vendor followed its established procedures and its past practice in approving the extension of credit; (2) whether the commercial vendor received prompt payment in full if it previously extended credit to the same candidate or political committee; and (3) whether the extension of credit conformed to the usual and normal practice in the commercial vendor's trade or industry.

During our review of selected Primary Committee disbursements, the Audit staff noted that on October 28, 1996, the Primary Committee made three payments to the polling firm of Penn + Schoen Associates, Inc. (Penn + Schoen) which included reimbursements for travel expenses, totaling \$74,970, incurred by Mark Penn, Douglas Schoen and Jill Kaufman between May 4, 1995 and June 30, 1996. The invoices were

dated October 28, 1996, and were date stamped as received by the Primary Committee also on October 28, 1996.

The Primary Committee paid approximately \$1.8 million (16 payments) to Penn + Schoen, the Primary Committee's main polling firm, during the period covered by this audit. It appeared that other payments to this vendor were made in a timely manner. During audit fieldwork the Audit staff was unable to determine if Penn + Schoen followed its established procedures and its past practices relative to this extension of credit nor were we able to determine whether the extension of credit conformed to the usual and normal practice in the vendor's industry. The reimbursement policy in Penn + Schoen's consulting agreement made no mention as to time frames for the billing and payment of travel expenses. According to a Dun + Bradstreet Public Record Search, Penn, Schoen + Berland Associates, Inc. (former name: Penn + Schoen Associates, Inc.), was incorporated in the state of New York on October 30, 1984 and was still active as of January 17, 1998.

The Primary Committee provided documentation in the form of an affidavit from Rick Joseph who is the Controller at Penn + Schoen. He is responsible for preparing and sending invoices to clients for services rendered and expenses incurred. Mr. Joseph stated the Controller position was vacant for approximately four months prior to his employment (September 3, 1996) and that due to inadequate staffing, during this vacancy, Penn + Schoen did not regularly bill its clients for invoices that required research or back-up documentation. Mr. Joseph stated further that soon after his employment, he discovered that invoices for travel expenses incurred between May, 1995 and June, 1996, on behalf of Clinton/Gore '96 Primary Committee, Inc. had either not been invoiced to the Primary Committee or were invoiced, but lacked the correct back-up documentation. The Controller continued by stating that while the position of Controller was vacant an accounting assistant forwarded ten invoices to the Primary Committee totaling \$45,331. for travel dating back to May, 1995, however, Penn + Schoen was notified by the Primary Committee that these invoices did not contain all the necessary back-up documentation. During August - September, 1996, as requested by the Primary Committee, Penn + Schoen continued to provide additional documentation to support its reimbursement requests. The Controller stated that he rebilled the Primary Committee on October 28, 1996 for \$37,548 to comply with the Primary Committee's travel reimbursement policies. Penn + Schoen was reimbursed for this amount on October 28, 1996. Mr. Joseph stated that he sent an invoice on October 4, 1996 to the Primary Committee for the amounts of \$32,037 and \$16,605 with back-up receipts for Mark Penn's and Douglas Schoen's travel dating back to January 1, 1996. These invoices were revised on October 28, 1996 to comply with the Primary Committee's travel reimbursement policies. The Primary Committee reimbursed Penn + Schoen for the amounts of \$30,262 and \$14,830 on October 28, 1996.

In the Exit Conference Memorandum (the Memorandum), the Audit staff recommended that, the Primary Committee provide additional documentation or any other comments to demonstrate that the credit extended (\$74,970 in travel expenses

incurred) by the vendor was in the normal course of its business, including statements from the vendor and did not represent a prohibited contribution. The information provided should include examples of other customers or clients of similar size and risk for which similar services have been provided and similar billing arrangements have been used. Also, information concerning billing policies for similar clients and work, advance payment policies, debt collection policies, and billing cycles should be included.

In response to the Memorandum, the Primary Committee stated that the Commission regulations and advisory opinions do not provide a set time in which payment must be made, but only require that the billings be handled in the vendor's normal course of business. It further stated that the documentation confirms that the vendor handled its respective billings in the normal and ordinary course of its business in accordance with 11 CFR § 116.3.

The Primary Committee also submitted another affidavit from Mr. Joseph, the current Controller at Penn + Schoen. Mr. Joseph stated that the project manager generally oversees the billing with respect to his or her project. "Generally, our normal business practice is to bill on a current basis for our services, such as polling. However, it is also generally our normal billing practice, unless a credit risk is perceived with respect to a particular client or other special circumstances exist, to usually bill most of our reimbursable travel expenses at or about the conclusion of a project." (Emphasis not in original.)

Mr. Joseph stated further that an effort was made to advance the billing process for travel expenses billed to Clinton/Gore '96 rather than waiting until at or near the conclusion of a project. However, the effort was not successful for the following reasons:

- Mark Penn and Doug Schoen, the project managers, traveled at that time on a continual basis and were extremely busy, it was very difficult for them to find the time, given their schedules, to gather their expense documentation or to review and sign off on expense reports. They were simply too busy performing services under the pressure of a campaign to perform the project manager's travel expense billing function in advance of the completion of the project.
- The accounting department, consisting of only a Controller and an assistant, was understaffed and thus not equipped to step in and perform the project manager's function.
- Given the size of the client and the project, the billing process, the understaffing and staff turnover in the accounting department, the hectic travel schedules of the principals, the project managers involvement in the project as well as other projects, Clinton/Gore '96 was billed travel reimbursements at or about the

conclusion of the project, which, at the time was the same billing method customarily applied to other clients similarly situated.

Thus, according to Mr. Joseph, the billing for travel reimbursements to Clinton/Gore '96 was in the ordinary course of business.

In the Audit staff's opinion, the affidavit from Mr. Joseph could be interpreted that with respect to the Primary Committee, Penn + Schoen's normal billing practice for travel expenses would be to bill on a current basis as opposed to at the conclusion of the project. He stated "generally our normal billing practice, unless a credit risk is perceived with respect to a particular client or other special circumstances exist [is] to usually bill most of our reimbursable travel expenses at or about the conclusion of a project." Mr. Joseph appears to be stating that Penn + Schoen was aware of the importance of billing the Primary Committee for travel expenses on a timely basis. However, due to understaffing and/or staff turnover, timely billing was not possible. The Primary Committee did not submit, as recommended, documentation from Penn + Schoen such as examples of other customers or clients of similar size and risk for which similar services have been provided and similar arrangements have been used. Such documentation is critical in determining if an extension of credit was made in the ordinary course of business.

In the opinion of the Audit staff, the Primary Committee did not demonstrate that the extension of credit by Penn + Schoen conformed to the usual and normal practice in its business or in its industry as required by 11 CFR § 116.3.

As a result, the amount of the contribution made by Penn + Schoen remains at \$74,970.

### III. FINDINGS AND RECOMMENDATIONS - REPAYMENT MATTERS

#### A. RECEIPT OF AN APPARENT EXCESSIVE CONTRIBUTION - MEDIA ADS PAID FOR BY THE DEMOCRATIC NATIONAL COMMITTEE

Section 441a (a)(2)(A) of Title 2 of the United States Code states in part that no multicandidate political committee shall make contributions to any candidate and his authorized political committees with respect to any election to Federal office which, in the aggregate, exceed \$5,000. Section 441a (a)(7)(B) states that expenditures made by any person in cooperation, consultation, or concert with, or at the request or suggestion of, a candidate, his authorized political committees, or their agents, shall be considered to be a contribution to such candidate. The section then states that the financing by any person of the dissemination, distribution, or republication, in whole or in part, of any broadcast or any written, graphic, or other form of campaign materials prepared by the candidate, his campaign committees, or their authorized agents shall be considered to be an expenditure. The purpose, content and timing of any speech-related expenditure distinguish coordinated activity that gives rise to a contribution from other interaction.

Section 441a(d) of Title 2 of the United States Code provides that the national committee of a political party may make a limited amount of "coordinated party expenditures" in connection with the general election campaign of its Presidential candidate that are not subject to, and do not count toward, the contribution and expenditure limitations at 2 U.S.C. §§441a(a) and (b) including the expenditure limitation for publicly-funded candidates. *See also* 11 CFR §110.7(a)(6). A coordinated party expenditure in excess of the 2 U.S.C. §441a(d)(2) limitations would be subject to the contribution limitations.

In determining whether specific communications paid for by parties were coordinated expenditures subject to the 2 U.S.C. §441a(d) limitations, the Commission has considered whether the communication refers to a "clearly identified candidate" and contains an "electioneering message" in Advisory Opinions ("AO") 1984-15 and 1985-14. Section 431(18) of Title 2 of the United States Code defines the term "clearly identified" to mean that the name of the person involved appears, a photograph or drawing of the candidate appears; or the identity of the candidate is apparent by unambiguous reference. In AO 1984-15, the Commission stated that the definition of "electioneering message" includes statements designed to urge the public to elect a certain candidate or party, or which would tend to diminish public support for one candidate and garner support for another candidate. Citing AO 1984-15, the Commission also stated in AO 1985-14 that "expenditures pursuant to 2 U.S.C. §441a(d) may be made without consultation or coordination with any candidate and may be made before the party's general election candidates are nominated."

Section 100.7(a) of Title 11 of the Code of Federal Regulations states, in part, that a contribution includes a gift, subscription, loan, advance, or deposit of money or anything of value for the purpose of influencing a Federal election. Anything of value includes all contributions in-kind.

Section 100.8(a)(1) of Title 11 of the Code of Federal Regulations defines an expenditure to include any purchase, payment, distribution, loan, advance, deposit, gift of money or anything of value, made by any person for the purpose of influencing any election for federal office. Section 100.8(a)(1)(iv)(A) of Title 11 of the Code of Federal Regulations states "anything of value" includes in-kind contributions. Section 104.13(a)(1) and (2) of Title 11 of the Code of Federal Regulations requires that each in-kind contribution be reported as both a contribution and an expenditure.

Section 441a(f) of Title 2 of the United States Code prohibits candidates or political committees from knowingly accepting any contribution that violates the contribution limitations.

Section 9032.9 of Title 11 of the Code of Federal Regulations defines a qualified campaign expense as a purchase, payment, distribution, loan, advance, deposit, or gift of money or anything of value that is:

- incurred by or on behalf of a candidate or his or her authorized committee from the date the individual becomes a candidate through the last day of the candidate's eligibility;
- made in connection with his or her campaign for nomination; and,
- neither the incurrence nor payment of which constitutes a violation of any law of the United States or of any law of any State in which the expense is incurred or paid.

An expenditure is made on behalf of a candidate, including a Vice Presidential candidate, if it is made by:

- an authorized committee or any other agent of the candidate for the purpose of making an expenditure;
- any person authorized or requested by the candidate, an authorized committee of the candidate, or an agent of the candidate to make the expenditure; or
- a committee which has been requested by the candidate, by an authorized committee of the candidate, or by an agent of the candidate to make the expenditure, even though such committee is not authorized in writing.

Section 9034.4(e) of Title 11 of the Code of Federal Regulations provides the following rules that apply to candidates who receive public funding in both the primary and general election. Any expenditure for goods or services that are used exclusively for the primary election campaign are attributed to the primary committee's expenditure limits; any expenditure for goods or services that are used exclusively for the general election campaign are attributed to the general election limits. The costs of a campaign communication that does not include a solicitation are attributed based on the date on which the communication is broadcast, published or mailed. Media production costs for media communications that are broadcast or published both before and after the date of the candidate's nomination are attributed 50% to the primary election limits and 50% to the general election limits. Distribution costs, including such costs as air time and advertising space in newspapers, shall be paid for 100% by the primary or general election campaign depending on when the communication is broadcast or distributed. The relevant date for determining whether an expense is for the primary or general election is the candidate's date of nomination.

Section 9035.1(a)(1) of Title 11 of the Code of Federal Regulations, states, in part, that no candidate or his authorized committees shall knowingly incur expenditures in connection with the candidate's campaign for nomination that in the aggregate exceed \$10,000,000 as adjusted under 2 U.S.C. §441a(c).

Section 441a(b) and (c) of Title 2 of the United States Code makes publicly-funded candidates subject to expenditure limitations. Section 9033(b)(1) of Title 26 of the United States Code requires that, to be eligible to receive public financing in the primary election, a candidate must certify to the Commission that, *inter alia*, he or she and his or her authorized committees will not incur qualified campaign expenses in excess of the expenditure limitation. Section 441a(f) of Title 2 of the United States Code prohibits candidates or political committees from knowingly making expenditures in violation of the primary election expenditure limitation at 2 U.S.C. §441a(b).

### BACKGROUND

During the audit fieldwork, the Audit staff requested station documentation for all media ads placed on behalf of the Primary Committee by its media vendor. Further, the Audit staff requested bank statements, including all enclosures, for all bank accounts maintained by the media vendor and used to make payments for media ads placed on behalf of the Primary Committee.<sup>2</sup> The Primary Committee stated initially that bank statements for the media vendor's account used to handle the Primary Committee's activity, although requested would not be provided to the Audit staff because the bank account used by the media vendor also contained activity related to other clients. Subsequently, the Primary Committee provided certain canceled checks purported to represent checks issued by its media vendor for Primary Committee media buys; station documentation for certain media flights was also provided.<sup>3</sup>

Based on our review of the documentation made available, the Audit staff determined that the Primary Committee's media vendors were Squier Knapp Ochs Communications (SKO) and November 5 Group, Inc. (Nov 5). Primary Committee media ads<sup>4</sup> that aired in June 1995 through March 1996 were placed by SKO. Starting in May 1996 through August 21, 1996, all Primary Committee media ads were placed by Nov 5.<sup>5</sup> Both SKO and Nov 5 maintained at least one bank account each at the National Capital Bank of Washington. From these accounts, funds were disbursed to television stations in payment of media ads on behalf of the Primary Committee. According to a newspaper article (The Washington Post, Sunday, January 4, 1998, A Section) Robert D. Squier, William N. Knapp, Mark Penn, Douglas Schoen and Dick Morris were each a partner in Nov 5.

<sup>2</sup> For Title 26 audits of primary and general election candidates, these records may also be examined at the offices of the media firm.

<sup>3</sup> Media flights represent a period of time in which one or more media ads were placed.

<sup>4</sup> Throughout this Memorandum, "Primary Committee ad" refers to an advertisement paid for by the Primary Committee. It does not include ads that may be related to the primary election but were paid for by the DNC either directly or through various Democratic state party committees.

<sup>5</sup> No Primary Committee media ads were placed during the period August 1995 through February 1996.

Mr. Squier and Mr. Knapp are partners at SKO, the Primary Committee's principal media vendor. Mr. Penn and Mr. Schoen are partners at Penn + Schoen Associates, Inc. (PSA) the Primary Committee's polling firm.<sup>6</sup> Mr. Morris was a media consultant.

In addition, the Audit staff noted instances where canceled checks issued by SKO/Nov 5 contained annotations such as "DNC" or "DEMOCRATIC NATIONAL COMM/STATE PARTY." Station documentation (also known as station affidavits) issued by the broadcast station contained information such as the date, time, name or other reference to an ad aired, amount charged for air time, and the television station that aired an ad, as well as a section that contained the name of the advertiser and product. In many instances, the advertiser/product section contained references such as "democratic national committee", "dnc/clinton gore '96" or "dnc."

On July 2, 1997, the Commission issued subpoenas to the Primary Committee, SKO, and Nov 5 in order to obtain media reconciliations, station documentation not previously provided, all bank statements, all canceled checks and debit advices issued by the media vendor on behalf of the Primary Committee and all deposit tickets/slips and credit advices associated with the deposit of Primary Committee funds into any account(s) maintained by SKO or Nov 5.<sup>7</sup>

Counsel for the Primary Committee responded on behalf of the Primary Committee, SKO and Nov 5. In response, media reconciliations, all missing station documentation for flights, and a VHS tape of Primary Committee media ads were made available for review. SKO and Nov 5's bank statements and enclosures represented as specifically related to Primary Committee transactions were also made available. However, the bank statements contained redactions.

In order to obtain all bank records related to these accounts, the Commission issued a subpoena to the National Capital Bank of Washington on September 3, 1997, for all bank statements, enclosures, including canceled checks, deposit items and all debit and credit advices for the identified accounts maintained and used by SKO and Nov 5. The period covered was April 1995 through December 31, 1996. The National Capital Bank of Washington (the Bank) submitted bank statements, and all enclosures which could be retrieved from the Bank's records systems for the accounts requested.

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- <sup>6</sup> It appears that the results of polls, advertising tests and mall tests were used to develop media ads.
  - <sup>7</sup> Media reconciliations were prepared by the media firm and contained information such as, client name, flight date, ad name, broadcast stations used, check number used to pay a specific station, gross billing, net paid to station, net due to stations, commission charged, amount due from client and amount received from client.

On January 16, and 30, 1998, the Commission issued additional subpoenas to SKO and Nov 5 in order to obtain additional media documentation including media reconciliations (in electronic format), certain bank records, VHS tapes, and station documentation for all advertisements paid from the SKO and Nov 5 accounts by or on behalf of the DNC or any state or local party committee, or was associated in any way with the DNC or any state or local party committee. The period covered was April 1, 1995 through August 28, 1996.

The Audit staff reviewed all documentation provided by the Primary Committee and all documentation received as a result of the above subpoenas. Our review found that during the period June 1995 through August 28, 1996, media ads were placed by SKO and/or Nov 5, the cost of which was funded directly or indirectly by the Democratic National Committee (the DNC).<sup>8</sup> The cost of the DNC media ads was \$42,373,336.<sup>9</sup> During the same period Primary Committee media ads were placed by SKO and/or Nov 5, the cost of which (\$11,731,101) was funded by the Primary Committee.

Our review also found that the DNC wired funds directly to SKO and/or Nov 5 bank accounts. In addition, the DNC itemized on its FEC reports disbursements of funds directly to state party committees; once received the state party committees wired funds to either SKO's or Nov 5's bank accounts. In the case of one state party committee, the Pennsylvania Democratic Committee, it was noted that in excess of \$4,000,000 was wired to identified accounts maintained by SKO and Nov 5. Credit advices included with SKO's and Nov 5's bank statements identified the funds as wire transfers originating from CoreStates Bank. These credit advices contained the following notation "CORESTATE PHIL [apparently Philadelphia] ORG=COMMERCIAL LOAN HARRISBURG HARRISBURG FIS ORG #0101 PA 00".<sup>10</sup>

#### PLACEMENT OF PRIMARY COMMITTEE AND DNC ADS BY SKO AND NOV 5

The chart below depicts the dates of and amounts due to broadcast stations relative to the placement of Primary Committee ads and DNC ads<sup>11</sup> undertaken by SKO

<sup>8</sup> Audit work performed to prepare this Memorandum did not include an examination of the DNC's or state parties' bank or other internal financial records. Disclosure reports (DNC/State party committees) filed with the FEC were reviewed.

<sup>9</sup> This figure represents the amount due to broadcast stations relative to ads placed and aired.

<sup>10</sup> On February 28, 1998, the Commission issued a subpoena to CoreStates Bank in order to obtain any and all documentation associated with the apparent commercial loan. To date a satisfactory response has not been received. Preliminary responses received appear to indicate that the source of funds wired to SKO and Nov 5 was not, in whole or part, from the proceeds of a commercial loan issued by CoreStates Bank. Currently, an affidavit has been sent to CoreStates Bank seeking confirmation of issues addressed in the subpoena.

<sup>11</sup> Throughout this Memorandum, "DNC ad" refers to any advertisement paid for by the DNC either directly or through various Democratic state party committees.

and/or Nov 5. This information was obtained from media reconciliations prepared by SKO and/or Nov 5.

| <u>Primary Committee Ads</u> |                                | <u>DNC Ads</u>         |                                |
|------------------------------|--------------------------------|------------------------|--------------------------------|
| <u>Run Dates</u>             | <u>Amounts due to stations</u> | <u>Run Dates</u>       | <u>Amounts due to stations</u> |
| 06/27/95 -<br>07/24/95       | \$2,304,274                    |                        |                                |
|                              |                                | 08/16/95 -<br>03/05/96 | \$15,692,881                   |
| 03/08/96 -<br>03/25/96       | 538,932                        | 03/07/96 -<br>03/27/96 | 2,487,795                      |
|                              |                                | 03/30/96 -<br>05/03/96 | 5,021,284                      |
| 05/04/96 -<br>05/31/96       | 1,185,882                      | 05/04/96 -<br>05/31/96 | 3,293,351                      |
|                              |                                | 06/01/96 -<br>07/09/96 | 11,169,521                     |
| 07/09/96 -<br>08/21/96       | 7,972,013                      | 07/10/96 -<br>08/21/96 | 2,764,252                      |
|                              |                                | 08/21/96 -<br>08/28/96 | 1,944,252                      |
| <b>Total</b>                 | <u>\$11,731,101</u>            |                        | <u>\$42,373,336</u>            |

Initially, during the period June 27, 1995 through July 24, 1995 only Primary Committee ads were aired. During the period August 16, 1995 through March 5, 1996 no Primary Committee ads aired; however, nearly \$15.7 million was spent by the DNC to broadcast DNC ads. The next period, March 7, 1996 through March 27, 1996, both Primary Committee and DNC ads were aired. These patterns continued through August 21, 1996. Only DNC ads aired during the period from August 22, 1996 to August 28, 1996 (the Candidate's date of ineligibility).

To recap, first only Primary Committee ads were run (6/27/95 - 7/24/95), then only DNC ads (8/16/95 - 3/5/96), followed by both Primary Committee and DNC ads run (3/8/96 - 8/21/96). Finally, no Primary Committee ads were placed after August 21, 1996; however, during the period August 21, 1996 through August 28, 1996, placement cost for DNC ads, totaled \$1,944,252 (excluding commissions). It should be noted that the DNC reported the cost of DNC ads which aired August 15, 1996 through August 28, 1996 as expenditures pursuant to 2 U.S.C. §441a(d).

As can be easily identified, two distinct patterns exist. They are: 1) periods of time when only Primary Committee ads were aired and periods of time when only DNC ads were aired; and, 2) periods of time when both DNC and Primary Committee ads were aired.

### EVIDENCE OF COORDINATION

The items discussed below indicate coordination and cost sharing between the Primary Committee and the DNC. As of the close of audit fieldwork, documentation with respect to allocations of costs between the Primary Committee and the DNC had not been reviewed.

#### Shared Production Expenses

On May 8, 1996, SKO invoiced the Primary Committee \$10,605.96 for production expenses related to a shoot in Iowa (2/10/96 - 2/11/96), dubbing/shipping costs and film shoot and travel expenses. Attached to the invoice was a breakdown of expenses which totaled \$21,211.91. These expenses were allocated equally between the Primary Committee and the DNC. The Primary Committee paid SKO \$10,605.96 toward these expenses. Information was not available with which to verify the DNC's payment. On the same date, SKO invoiced the Primary Committee \$10,605.68 for expenses associated with "Shoot footage of Clinton at White House for Video - 'Iowa/New Hampshire'." Supporting documentation for all related sub-contract expenses was annotated with the DNC's account code. The Primary Committee paid SKO \$10,605.68 on May 31, 1996.

In another instance involving SKO, the Primary Committee was invoiced \$23,076.90 for expenses related to B-roll shoot (2/29/96 - 3/20/96). Attached to the invoice was a breakdown of expenses, which totaled \$46,153.80. These expenses were allocated equally between the Primary Committee and the DNC. The Primary Committee paid SKO \$23,076.90. Information was not available with which to verify the DNC's payment.

Finally, on September 16, 1996, SKO invoiced the Primary Committee \$15,829.65 for expenses associated with an ad entitled "Nobody". Supporting documentation includes an invoice from Interface Video Systems, Inc. for dubbing/satellite charges totaling \$1,215. Of the 5 detailed charges noted on this invoice,

three charges, totaling \$984, were annotated C/G and two charges, totaling \$231, were annotated DNC. The SKO invoice included only the Primary Committee's portion of the dubbing and satellite charges (\$984). The job title line states " 'Nobody' and 'Them' / 75 VHS and 23 BCSP/Mike McMillen." The words "Nobody" and "Them" were annotated C/G and DNC respectively.

As discussed below under The TV Ads, the Primary Committee ad Nobody and the DNC ad Them were exactly the same in audio and video content.<sup>12</sup> Both ads ran in August, 1996.

Of the remaining 10 SKO invoices issued to the Primary Committee and associated with production expenses, all but two contained annotations indicating DNC related charges.

#### PLACEMENT OF ADS

Coordination between the Primary Committee and the DNC as evidenced in the placement of certain ads by Nov 5 was noted during our review.

During the period May 25, 1996 to May 31, 1996, Nov 5 on behalf of the Primary Committee placed ads totaling \$1,101,062. During the same period, Nov 5 on behalf of the DNC placed ads totaling \$563,253. The DNC ads and the Primary Committee ads were placed with the same 112 broadcast stations. With respect to ads placed with 109 (of the 112) stations, the checks issued by Nov 5 to the stations on behalf of the DNC or the Primary Committee were in the same amount. For example, during this period, Nov 5 placed ads at the broadcast station WCCO. Nov 5 issued check number 2146 in the amount of \$13,855 to the station on behalf of the DNC for ads placed. This check was annotated "dnc/state party committee". In addition, Nov 5 issued check number 2431 in the amount of \$13,855 to the same station on behalf of the Primary Committee for ads placed. However, it should be noted that the media reconciliation for this period indicated that only \$73,049 in ads were placed on behalf of the DNC. In response to our inquiry, a representative of Nov 5 stated, "[t]he media buy was scaled back considerably after the checks were sent to the stations. The stations kept the money and applied the surplus to the next media buy placed by the DNC. The actual amounts are reflected in the media reconciliations previously provided to you."

Even though the DNC's media flight "was scaled back considerably" the initial placement of the ads indicates coordination with ads placed on behalf of the Primary Committee.

<sup>12</sup> Near the end of each ad a "PAID FOR BY ..." appears superimposed on the video portion, for the DNC ad the payer is the DNC or a state party organization, for the Primary Committee ad, the payer is the Primary Committee.

Furthermore, for other DNC media flights and Primary Committee media flights both covering the same time period, Primary Committee and DNC ads were placed at the same stations, however, the amounts charged by the stations were not exactly the same with respect to DNC ads versus Primary Committee ads as placed.

Another indicator of coordination between the Primary Committee and the DNC involves a standard form memorandum for authorization of production and air time purchased. One section of this memorandum states "The cost will be allocated a \_\_\_\_\_% for the DNC and \_\_\_\_\_% for Clinton/Gore '96." The next line states "attorneys to determine." The following individuals were named recipients of this memorandum: Peter Knight (Primary Committee - Campaign Manager), Ted Carter (Primary Committee - Chief Operating Officer/Deputy Campaign Manager), Harold Ickes (then White House Deputy Chief of Staff), B.J. Thornberry (DNC Chief of Staff), Bill Knapp (Media Consultant, SKO/Nov 5), Jeff King (DNC Finance Division), Doug Sosnik (White House Political Affairs Director), Brad Marshall (DNC Chief Financial Officer), Lyn Utrecht (Primary Committee's General Counsel) and Joan Pollitt (Treasurer - Primary Committee).

One authorization memorandum, dated July 3, 1996, from Harold Ickes and Doug Sosnik to Jennifer O'Connor (then Special Assistant to the President) authorized SKO to produce 1 spot. Within the section entitled "other" the memorandum states:

Tobacco <sup>13</sup>

- 1) C-G buy - \$617,000 - 7/9 - 7/16
- 2) DNC buy - \$1.1 [million] - 7/10 - 7/16
- 3) dubbing and shipping - c-g - \$5,000
- 4) production - \$14,000 - c-g

With respect to allocation, the memorandum states "attorneys to determine".

Nov 5 placed Primary Committee ads totaling \$468,682 (First Time) and \$915,627 (Hold) during the period July 9, 1996 through July 16, 1996 and July 11, 1996 through July 18, 1996 respectively. Nov 5 placed DNC ads totaling \$457,030 during the period July 10, 1996 through July 16, 1996. The Primary Committee ad "First Time" addressed children trying smoking for the first time. The DNC ad "Enough" included, among other topics, school anti-drug programs.

In First Time, President Clinton's stated position to "stop ads that teach our children to smoke" is contrasted to Dole's stated position of opposing an FDA limit on tobacco ads that appeal to children and his position that "cigarettes aren't necessarily addictive" and presents to the viewer a choice "Bob Dole or President Clinton who's really protecting our children?" The DNC ad, entitled Enough (the audio and video portion is very similar to DNC ads "Another" and "Increased" which also ran in late June

<sup>13</sup> The Audit staff did not receive a copy of an ad(s) entitled "tobacco" in VHS format.

and early July, 1996) contrasts President Clinton's stated accomplishments in the areas of immigration, crime, and school anti-drug programs to stated positions attributed to republicans or Dole/Gingrich such as opposing the protection of U.S. workers from replacement by foreign workers and the stated consequences of "the Dole Gingrich budget" such as to repeal approved funding for 100,000 new police and to authorize less funding for school anti-drug programs. The DNC ad concludes with "only President Clinton's plan protects our jobs our values."

The Primary ad mentioned Bob Dole and his views which are contrasted to President Clinton's - the DNC ad mentioned the Dole Gingrich budget and Dole Gingrich attempts to cut funding to programs endorsed by President Clinton. The former presents a stated choice Dole or Clinton, while the DNC ad presents the clear message that "only President Clinton's plan protects our jobs our values." In the opinion of the Audit staff, both ads are designed to garner public support for a certain candidate, namely President Clinton and diminish public support for Bob Dole. A detailed discussion of the content of all 37 DNC ads aired during the primary period is included below.

Another indicator of coordination is contained in an authorization memorandum from Jennifer O'Connor (then Special Assistant to the President) to Peter Knight, B.J. Thornberry, Brad Marshall, Ted Carter, Joan Pollitt, Lyn Utrecht and Joe Sandler (General Counsel of the DNC), with a copy going to Harold Ickes. This memorandum relates, in part, "Harold has authorized payment of the following Squier/Knapp/Ochs/ invoices with corresponding authorization forms. Authorization is to pay only costs which meet the DNC and Re-elect policies, including travel policies."<sup>14</sup> The memorandum listed authorizations to purchase both production and air time with respect to the DNC and the Primary Committee.

#### Polling<sup>15</sup>

In response to an Audit staff inquiry concerning various polls conducted on behalf of the DNC and the Primary Committee, Mark Penn, as president of PSA, stated in an affidavit that

"beginning in April 1995 until November 1996, I presented polling results at meetings held at the White House residence, generally on a weekly basis. The results were presented simultaneously to the representatives of Clinton/Gore, the White House and the DNC who were in attendance at these meetings."

<sup>14</sup> The Audit staff has not reviewed any of these "policy" documents at this time.

<sup>15</sup> The Regulations, at 11 CFR 106.4 - Allocation of Polling Expenses - provides for the sharing of poll results and allocation of costs related thereto. The cost of all Primary Committee and DNC (primary) polls totaled \$3,183,216. The cost allocated to the Primary Committee was \$1,732,752 (54%) while the DNC share totaled \$1,450,464 (46%). The Audit staff viewed this allocation of costs as reasonable.

Mr. Penn also states he presented polling results to Senator Chris Dodd and Donald Fowler, Co-Chairmen of the DNC, at separate briefings.

In response to our inquiry, Joseph E. Sandler, General Counsel of the DNC, in a letter, dated April 8, 1998, to Lyn Utrecht, General Counsel of the Primary Committee stated, in part:

"this will respond to your request for information about the distribution of information from polls conducted by Penn, Schoen & Berland (formerly known as Penn & Schoen) jointly for the Democratic National Committee ("DNC") and either Clinton/Gore '96 Primary Committee or Clinton/Gore '96 General Committee, the costs of polls have been shared by the DNC and one of the Clinton/Gore committees.

The purpose of these polls, conducted during 1995 and 1996, was to determine the Democratic Party's message and political strategy for purposes both of creating Party communications, including Party-sponsored media and Party-created campaign materials, and of developing message and strategy for the field operations run by the state Democratic Parties, with assistance and partial funding by the DNC, on behalf of the entire Democratic ticket in the 1996 general election.

I am advised that, to these ends:

(1) All poll results were made available in full to the DNC's media consultants (Squier/Knapp/Ochs, Message Advisors, Sheinkopf & Associates and Marius Penczner, and November 5 Group) who created Party issue advertising for the DNC and Democratic state party committees, advertising which was run in 1995 and 1996."

In the Audit staff's opinion, the above items discussed under Production, Ad Placement and Polling demonstrate that coordination between the White House, DNC, SKO, Nov 5 and the Primary Committee existed with respect to the development and placement of both Primary Committee and DNC media ads.

### THE TV ADS

The information discussed above was gleaned from our review of bank records, media flight reconciliations for time buys (prepared by SKO or Nov 5), affidavits and invoices issued by the broadcast stations, internal documents prepared by the Primary Committee related to the planning and purchase of TV air time, production invoices and related documents, most of which were obtained as a result of subpoenas issued by the Commission to SKO and NOV 5 and their bank, and the Primary Committee. Also obtained via subpoena were video tapes represented to contain all ads placed or run on

behalf of the Primary Committee or the General Committee; video tapes represented to contain all ads paid for or run on behalf of the DNC or any state or local party committee, or associated in any way with the DNC or any state or local party committee and related to any transactions in two bank accounts used by SKO and Nov 5 for the period April 1, 1995 through November 5, 1996. In response to these subpoenas the Audit staff received a total of 13 video cassettes containing 13 Primary Committee ads, 53 General Committee ads, and 812 DNC ads.<sup>16</sup>

As noted in the previous sections, there was apparently coordination between the DNC and the Primary Committee concerning the production and placement of television ads during the period from April 1995 to August 1996. The Final Report of the Committee on Governmental Affairs, United States Senate - Investigation of Illegal or Improper Activities in Connection with 1996 Federal Election Campaigns (the Senate Report) provides additional information. According to the report, representatives from the White House, the DNC, and Clinton/Gore would meet at the White House approximately once a week to discuss media, polling, speech writing and policy and issue positioning.<sup>17</sup> In July, 1995, it was first explained that DNC funds would be used to pay for ads during the primary campaign period.<sup>18</sup> According to testimony provided by Richard Morris, the General Counsel of the DNC and the General Counsel of the Primary Committee "laid down the rules of what advertisements—of what the content of advertisements and the timing of the media buys could be in connection with the Democratic National Committee advertising and in connection with the Clinton-Gore advertising."<sup>19</sup> Finally, Exhibit 5-6 of the Senate Report - a memo for the President, Vice President, Panetta, Ickes, Lieberman, Lewis and Sosnik only, apparently dated February 22, 1996, sets forth the amount of funds relative to DNC media buys and "CG" media buys from February 1996 through May 28, 1996. In summarizing the amounts for DNC and CG buys, this language is included:

"8. Total Clinton Gore Money through May 28: \$2.5 mil.

1. Unless Alexander is nominated and we cannot use DNC money to attack him.
2. If Dole is nominated, we need no additional CG money media before May 28 since we can attack Dole with DNC money

<sup>16</sup> In the case of the DNC ads, there appeared to be 59 ads which were then duplicated for use by various state party organizations. The content of the ads is identical except for the 2 U.S.C. 441d(a)(3) statement (e.g., paid for by the Ohio Democratic Party).

<sup>17</sup> Senate Report at page 116, citing Morris deposition, p. 124.

<sup>18</sup> According to media records, the DNC ads first ran between 8/18/95-8/31/95.

<sup>19</sup> Morris deposition, pp. 117-18 as cited in the Senate Report.

9. Total DNC money now through May 28, \$15,733,000"

The placement cost for DNC media buys for the period 2/13/96 through 5/31/96 was about \$12 million; the placement cost for Primary Committee media buys for the period 3/8/96 through 5/31/96 was \$1.72 million.

Notwithstanding the excerpts from the Senate Report cited above, the evidence developed during audit fieldwork, in the Audit staff's opinion, demonstrates that coordination existed between the DNC and the Primary Committee concerning the production of ads and the purchase of broadcast time to air those ads.

Our review of 37 DNC ads made available and which, according to station invoices and the media firms' reconciliations of DNC buys, ran during the primary campaign period indicates that President Clinton, the candidate, was clearly identified in these ads, and that the ads appeared to convey electioneering messages.

A review of the audio and video portions of each of the 37 DNC ads found that the candidate in addition to being featured in the video portion of ads is referred to during the audio portion as "President Clinton", "the 42nd president", "the president" - in one ad, the candidate's voice is the entire audio portion.

SAME AUDIO AND SAME VIDEO AS PRIMARY COMMITTEE ADS

In the case of three separate DNC ads which ran during the period 8-15-96 through 8-28-96, the audio and video content of the DNC ads are exact facsimiles<sup>20</sup> of three separate Primary Committee ads (and nearly identical to a fourth) which ran during the period 8-2-96 through 8-21-96. The ad number, name of ad and text appear at Exhibit #1. The DNC paid nearly \$2.1 million to run these ads (plus one additional - Risky, discussed below) during the period beginning two weeks prior to the candidate's nomination at the convention. In August, 1996, the Primary Committee using its ads with the same content as the DNC's, paid \$4.1 million to run ad flights containing these ads.

Two pairs of ads (P11<sup>21</sup> REAL TICKET CG13-30 & D795 DOLE/GINGRICH DNC1228-30; P12 NOBODY CG14-30 & D796 THEM DNC1229-30) raise the question of who should be in the oval office given the stated consequences "if it were Bob Dole sitting here [in the Oval Office]." The last pair (P13 BACK CG09-30 & D794 SCHEME DNC1227-30) conveys to the viewer "president clinton meeting our challenges bob dole gambling with our future." In the Audit staff's opinion, all of the above ads contain an

<sup>20</sup> Near the end of each ad a "PAID FOR BY ..." appears superimposed on the video portion, for the DNC ads the payer is identified as the DNC or a state party organization, for the Primary Committee ads, the payer is identified as the Primary Committee.

<sup>21</sup> This identifier was assigned by the Audit staff to denote a Primary Committee ad (e.g., P1 through P13); similarly to denote a DNC ad, the Audit staff assigned identifiers D1 through D812.

electioneering message - the content of each ad is designed to urge the public to elect a certain candidate - namely President Clinton instead of Bob Dole.

The cost of these DNC ads was reported by the DNC as an expenditure made pursuant to 2 U.S.C. §441a(d) on behalf of the Candidate's general election campaign.

### CLINTON'S POSITIONS VS DOLE'S POSITIONS

The Audit staff identified five DNC ads which aired during 1996 in which the candidate's position on the budget, Medicare, education, taxes, assault weapons, welfare, children, the economy is juxtaposed to Dole's positions or Dole's legislative record (see Exhibit #2 for text of ads). Three of the five ads (No, Proof, and Facts) ran between 3/29/96 and 5/3/96 in flights involving \$5 million in placement costs to broadcast stations. The voice-over relates to the viewer "Dole says no to the Clinton's plans it's time to say yes to the Clinton plans yes to America's families."

The fourth ad, entitled Economy, discusses the President's position on jobs, unemployment benefits, women-owned companies, job training and interest rates and points out that under "the Dole GOP bill" and "a Dole amendment" these areas of the economy would suffer. This scenario is then contrasted with information on "today['s]" economy - record construction jobs, lower mortgage rates, new jobs - highlighting "the President's plan for a better future."

The fifth ad in this category, entitled Risky, contrasts the President's tax cut or tax proposals which would benefit working families against Dole's legislative record on taxes and the purported effect of these taxes on Medicare, education and the environment. The Economy and Risky ads ran during the period 7/24/96 through 8/28/96 in flights where the air time charges totaled nearly \$4 million (Economy \$2.0 million; Risky \$1.94 million in same flight with Them mentioned above).

Here again, as was the case in the previous discussion, the viewer is presented with a choice between two candidates—the President and his stated accomplishments and proposals shown as favorable versus Dole and his record as stated and possible consequences of his positions and proposals.

### CLINTON'S POSITIONS VS "DOLE GINGRICH" POSITIONS

The third category of ads classified by the Audit staff involved 12 ads in which the President's record and/or positions are compared to the record and/or positions or proposals represented as associated with "the Dole Gingrich budget plan," "Dole Gingrich attack ad," and "Dole and Gingrich" voting record or proposals. These ads, the text of which is at Exhibit #3, portray the President's stated accomplishments on topics such as Medicare, education, taxes, environment, budget, and immigration compared to the attempts and seemingly undesirable effects of actions or proposed actions attributed to Dole Gingrich. These ads ran in flights which aired during the period from 4/12/96

through 7-19-96 (one ad Table also ran during 1/18/96-2/1/96); the placement cost for flights totaled \$18 million. Although Dole is "coupled" with Gingrich in these ads, during this time period Dole was the "presumptive nominee." The message conveyed to the viewer is a choice between the President and his policies and Dole.

### CLINTON'S POSITIONS VS " THE REPUBLICANS' " POSITIONS

During the primary period mainly from 8/16/95 to 1/24/96,<sup>22</sup> 13 DNC ads were aired that discussed President Clinton's position on topics such as Medicare, education, taxes, welfare reform, environment, family medical leave, and a balanced budget; the placement cost for flights during this period containing these ads was \$13.35 million. Against these positions, the stated positions, goals, and consequences of various proposals tied to "republicans in Congress", the republican budget, or just "republicans" are discussed (see Exhibit #4). In 7 of these ads, although not mentioned in the audio portion by name, Dole is pictured at least once during the video portion.

The remaining four DNC ads, entitled Dreams, Victims, Challenge, Welfare, are thematic in nature and present topics such as the President's college tuition tax cut, the President's balanced budget, the President's plan for welfare reform, and the President's plan to address women victims of domestic abuse (see Exhibit #5). Three of the four DNC ads ran in flights during the period 2/13/96 through 3/27/96; the DNC ad, entitled Dreams ran 6/12/96 through 6/18/96. President Clinton is featured at least twice in the video portion of each ad, and "the President's plan " or proposals made by the President are mentioned in the voice-over or audio portion of each ad.

It appeared, based on information analyzed as of the close of audit fieldwork, the placement of DNC ads was coordinated with the placement of the Primary Committee ads. Further, the DNC ad campaign was developed, implemented, and coordinated with the Primary Committee. Finally, it is the opinion of the Audit staff that the cost of the DNC ad campaign, calculated at \$46,580,358 (placement costs of \$42,373,336, commissions of \$4,173,339 and identified production costs of \$33,683) using records currently available, should be viewed as an in-kind contribution to the Primary Committee.

The topic of the cost of DNC ads being viewed as in-kind contributions to the Primary Committee was discussed briefly at the conference held at the close of audit fieldwork. The General Counsel of the Primary Committee stated that the Commission's regulations and advisory opinions, and court decisions permit issue advertising by the DNC and strongly disagreed with the Audit staff's opinion that media ads placed and aired on behalf of the DNC represent an in-kind contribution to the Primary Committee and applicable to the overall expenditure limitation.

<sup>22</sup> Two DNC ads, entitled Help and Stop, ran between 3/29/96 and 5/31/96.

In the Memorandum, the Audit staff recommended that the Primary Committee demonstrate that the media program described above did not constitute an in-kind contribution from the DNC to the Primary Committee. The demonstration should have included evidence that the DNC media program was not coordinated with the Primary Committee and that the ads aired did not contain an electioneering message.

In response to the Memorandum, the Primary Committee stated "[t]he Democratic National Committee and numerous Democratic state party committees broadcast a series of issue advocacy media advertisements in late 1995 and early 1996."

It should be made clear that the ads, in question, were ads produced by SKO or Nov5 on behalf of the DNC. Our review did not reveal any payments made by state party committees relative to the cost of producing the ads in question. Even though numerous state party committees wired funds to the Primary Committee's media firms, the cost of air time to broadcast the ads was, in fact, funded by the DNC. The DNC wired funds from its federal and non-federal accounts to state party committees and provided the following wire transfer instructions:

"The DNC has sent two wires to your accounts which are noted above. In accordance with normal allocations procedures for administrative/generic expenses, you should transfer the amount of money sent to your non-federal account to your federal account. You should then send one wire from your Federal account to the media firm listed below in the amount of the total funds sent to you.

Please send one wire to Squire Knapp Ochs per the information listed below:

Bank Name: National Capitol Bank, 316 Pennsylvania Ave., S.E.  
Washington, D.C. 20003

Account Name: November 5 Group, Inc.

Bank Account Number: [account number contained in original]

ABA Routing Number: 054 000 056

\*\*\* This transfer needs to be done A.S.A.P. Please call Maureen Garde at 202-479-5136 to confirm that this wire has been made, complete the attached form, and fax it to Maureen at 202-479-5135. Thank you for your help.\*\*\* [Emphasis in original]

The appropriateness of this type of funding by the DNC through the various state party committees is beyond the scope of this report.

The response further stated that the Memorandum cited certain alleged occurrences as evidence of coordination between the DNC and the Primary Committee.

The Primary Committee did not dispute that the ads were coordinated, but objected to the "Audit Division's inaccurate and misleading discussion of the facts pertaining to the ads, and, in some instances (although irrelevant) disagrees that the facts cited show coordination." The Primary Committee deemed this evidence of coordination as totally irrelevant and riddled with factual errors.

The Primary Committee objected to the Audit staff's use of invoices that indicated production cost was shared between the DNC and the Primary Committee. It stated "in only one of the three instances of shared production expenses cited in the Memoranda is the name of the ad provided, and in that one case, the Audit Division has the facts wrong. According to [the] Audit staff, a September 16, 1996 SKO invoice apparently relates to the ads 'Nobody' and 'Them.' The Audit Division states that the Primary Committee and the DNC each paid for a portion of this invoice. The ad 'Nobody' is a Primary Committee ad that never aired, and the ad 'Them' is a DNC ad which was attributed to the 441a(d) limitation. There was only one ad, a 441a(d) ad aired by the DNC, so the facts are not accurate as stated by the Audit Division."

As another example of "inaccurate and misleading discussion", the Primary Committee objected to comparisons made with respect to DNC and Primary Committee media buys during the period May 25 through May 31, 1996, as well as comparisons made with respect to other media buys that occurred during similar flights. Even though the Primary Committee did not dispute the facts presented in the Memorandum, it concluded "the Audit staff has allegedly documented a 'similar pattern' in the placement of ads in a week when the Primary committee paid over \$1.1 million to broadcast ads while the DNC paid only \$73,049. The disparity in the amounts purchased by each entity is so large that it is impossible to make any comparisons about similar patterns in the placement of ads based on these facts."

With respect to all other media flights on all other dates, the Primary Committee stated the Audit staff made the general conclusion that Primary Committee and DNC ads were placed at the same stations, but added that the amounts charged by the stations were not exactly the same. Despite the fact that this statement related to millions of dollars in ads, no documentation or specific facts were provided to support the conclusion.

The remainder of the Primary Committee's response with respect to "inaccurate and misleading discussion" covered (1) the standard form used by Clinton/Gore '96 and the DNC for authorization of production and time buys, (2) a July 3, 1996 authorization memorandum from Harold Ickes and Doug Sosnik referring to two alleged buys, (3) an authorization memorandum to Primary committee and DNC staff indicating the Harold Ickes had authorized payment of certain SKO invoices, (4) statements made by a Primary Committee and Democratic Party polling consultant and the DNC's General Counsel, and (5) information gathered and conclusions reached by the U.S. Senate Committee on Governmental Affairs in its report on the 1996 campaign.

It is the opinion of the Audit staff that the facts presented in the Memorandum were presented fairly and demonstrated that coordination occurred between the Primary Committee, the White House, and the DNC.

With respect to the Primary Committee's ad entitled "Nobody", this ad, according to documentation made available by the Primary Committee and its media firm did in fact run. Station documentation, some of which was notarized and/or signed by a station representative, contained language to the effect "we warrant that the actual broadcast information on this invoice was taken from our records." During the period August 15, 1996 through August 21, 1996, the ad "Nobody" aired. For example, documentation reviewed for television station KNSD (Los Angeles, CA), indicated that an ad coded CG1430 aired August 20<sup>th</sup> and August 21<sup>st</sup>. Code CG1430 was the product/film number assigned to the ad "Nobody." The cost of this ad was \$4,275. The cost of all ads aired on this station during this period, including "Nobody", totaled \$13,451.25. The invoice contained no reconciling items which, if present, would have indicated that an ad(s) did not air. Primary Committee funds were apparently used to pay this station and the station was listed on the media reconciliation for Primary Committee ads placed during the period.

The Audit staff did not copy all station invoices for this flight (August 15, 1996 through August 21, 1996), however, invoices copied indicated the ad "Nobody" also aired at television stations KOAA - CO (8/20 - 8/21), WCPX - FL (8/21), KOMU - MO (8/19 through 8/21), WKRC - OH (8/20 - 8/21), KDRV - OR (8/20 - 8/21), WPVI - PA (8/20), WUXP - TN (8/20 - 8/21), WTVC - TN (8/19 - 8/21), WKOW - WI (8/20 - 8/21), KHQ - WA (8/19 - 8/22)<sup>21</sup> and WRAL - NC (8/20 - 8/21).

The Primary Committee's assertion that the ad Nobody never aired is puzzling at best, given the documentation in the Primary Committee's records.

The discussion in the Memorandum concerning media ads placed by both the DNC and the Primary Committee during the period May 25, 1996 through May 31, 1996 was factually correct. Even though approximately \$500,000 in ads placed by the DNC were not aired, as noted in the Memorandum, the fact that the DNC ads were originally placed at the same stations for the same amount during the same period as Primary Committee ads can be and should be used as a basis to conclude coordination existed between the DNC and the Primary Committee.

As previously stated, during that period Nov 5 on behalf of the Primary Committee placed ads totaling \$1,101,062. During the same period, Nov 5 on behalf of the DNC placed ads totaling \$563,253. DNC ads and Primary Committee ads were placed with the same 112 broadcast stations. With respect to ads placed with 109 (of the 112) stations, the checks issued by Nov 5 to the stations on behalf of the DNC or the

<sup>21</sup> Even though the invoice indicated the ad was aired on 8/22/96, the station is listed on the media reconciliation made available for ads aired 8/15/96 through 8/21/96

Primary Committee were in the same amount. The Memorandum also noted that the media reconciliation prepared by Nov 5 for this period indicated that only \$73,049 in ads were actually placed [actually aired] on behalf of the DNC.

The import of this example, which was not refuted or even addressed by the Primary Committee in its response, was and still is — the DNC and Primary Committee media flights as originally planned, if aired would have resulted in Primary ads and DNC ads being aired by the same stations during the same time periods by design. The Audit Division is not in possession of any information, nor did the Primary Committee offer any explanation, as to why the DNC ad flight was “scaled back” nearly \$500,000 or 87% of the planned amount.

With respect to other ads placed on behalf of both the DNC and the Primary Committee at the same stations during the same period but not always for the same amount, it should be noted that the Primary Committee had the same media reconciliations and station documentation as reviewed by the Audit staff. Further, during the response period provided in the Memorandum, the Primary Committee requested and received copies of certain workpapers in support of statements/facts contained in the Memorandum. At no time did the Primary Committee request workpapers concerning DNC and Primary Committee ads aired during similar periods of time but not always for the same amounts.

The Memorandum contained information noted in a Report of the United States Senate Committee on Governmental Affairs. The Memorandum cited certain statements by Richard Morris. The Primary Committee objected to the inclusion of information from a memorandum, apparently dated February 22, 1996, which stated, in part, if Dole is nominated, we need no additional CG money for media before May 28 since we can attack Dole with DNC money. The Primary Committee stated: “the Audit Division misunderstood the point of Mr. Morris’ statement, which was that issue ads had to discuss current Members of Congress in the context of legislative debate in Congress. In fact, as is reflected in his sworn testimony, Mr. Morris’ memo demonstrates how forcefully and precisely the DNC and Clinton/Gore ’96 communicated the rules on issue advertising to those preparing the ads. Indeed, it is astonishing that the Audit Division would reach an incorrect interpretation of Mr. Morris’ memo when his sworn testimony on the issue is available.”

The Primary Committee misinterpreted the point of Mr. Morris’ statement. According to the testimony, Mr. Morris’ statement referred to his understanding of the so called issue ad cutoff date. Mr. Morris stated “if Dole is nominated, don’t worry about it, because he’s in the Senate, and the budget is the big fight, and it’s continuing, and we can continue to compare the President’s position with Dole’s position straight through the 28<sup>th</sup> of May, which was the Memorial Day cut-off that Sandler and Utrecht had decreed.”

Apparently, the so called May 28, 1996 cut-off date was set by Mr. Sandler and Ms. Utrecht. In response to the question “[a]re you aware that timing is a key factor in

FEC determination of express advocacy." Mr. Morris answered, "[y]es. We were informed [of] that by Sandler and by Utrecht, and that is why they set the deadline of Memorial Day as being the last day on which we could run issue—on which we could run DNC ads." In this deposition, Mr. Morris related that the Memorial Day cutoff date was extended because the RNC continued to run its issue ads.

The inclusion of this information was merely to further substantiate the level of coordination that existed between the DNC, Primary Committee and the White House.

Moreover, language contained in a piece of correspondence obtained by the Audit staff subsequent to the issuance of the Memorandum seems to provide some insight to the DNC's "issue ad" activity. The language below is excerpted from a "MEMORANDUM FOR HAROLD ICKES" from Joe Sandler discussing the Colorado Republican case then before the U.S. Supreme Court. The memorandum was dated February 8, 1996, approximately two weeks prior to the apparent date (February 22, 1996) of the aforementioned Morris memorandum.

"The FEC has adopted a vague and fuzzy test for determining when a party communication or activity counts against these limits: it counts if it contains an 'electioneering' message about a clearly identified candidate. (This is the standard we are applying (albeit aggressively) in the current DNC media campaign, to avoid having the ads count towards the limit on expenditures for Clinton/Gore)."

It should be noted that the DNC ads continued to run through August 7, 1996. The cost of DNC ads aired during the period August 15, 1996 through August 28, 1996 were reported by the DNC as being made on behalf of President Clinton's general election campaign pursuant to 2 U.S.C. §441a(d).

With respect to the remainder of the Primary Committee's assertions concerning the use of standard forms, memoranda authorizing media buys, statements made by DNC/Primary Committee polling consultant and statements made by the DNC's general counsel, again, the Audit staff merely introduced certain documents made available during fieldwork as evidence of coordination between the DNC, the Primary Committee and the White House as they related to the DNC ads and the Primary Committee ads.

According to the Primary Committee "issue ads" were timed to avoid airing in proximity to the 1996 election; no DNC "issue ads" were run after early August 1996; no "issue ads" were broadcast during the entire general election period; and, it was the DNC stated policy to not broadcast any "issue ads" in a state within thirty days of that state's

primary election in order to ensure that the ad could never be construed to have any connection whatsoever with an election.<sup>24</sup>

Finally, the Primary Committee stated the Memorandum presented a flawed analysis of the DNC "issue advocacy ads" and concluded they were either coordinated with the Primary Committee or "imbued" with an electioneering message. It was the Primary Committee's opinion that the position taken by the Audit Division that the DNC "issue ads" contained electioneering messages simply cannot be supported either as a matter of fact or law. In support of its opinion, the Primary Committee questioned the Audit staff's analysis with respect to DNC ads that contained the same audio and same video as Primary Committee ads; ads that compared Clinton's positions vs. Dole's positions and Clinton's positions vs. Dole Gingrich positions; and, Clinton's positions vs. The Republicans positions.

#### Same Audio and Same Video as Primary Committee Ads

The Primary Committee stated the Audit staff correctly observed that in the case of three separate DNC ads which ran during the period August 15, 1996 through August 28, 1996, the audio and video content of the DNC ads were exact facsimiles of three separate Primary Committee ads and nearly identical to a fourth DNC ad which ran during the period August 2, 1996 through August 21, 1996. With respect to the 4 DNC ads, the Primary Committee stated "[w]hether an electioneering message is present, however, is irrelevant because the expenditures for each of those ads was attributed to the DNC's 441a(d) expenditures. Thus, it was entirely appropriate for the ads to have included an electioneering message as well as to have expressly advocated the election of President Clinton the defeat of his opponent. There is absolutely no reason for barring the DNC from airing an advertisement which is identical to a Primary Committee ad when that ad is charged to the 441a(d) limit."

Finally, the Primary Committee stated rather ironically that "[w]hat is particularly troubling about the Audit Division's finding is that it demonstrates complete carelessness in reviewing materials provided by the Committees. The Audit staff was provided with a complete set of media reconciliations from the November 5 Group.

These reconciliations provided the cost and dates of broadcasting of the DNC issue ads ... There is no excuse for the error because contrary evidence was for all intents and purposes staring the auditors in the face. On those very same reconciliations for the periods 8/15/96 through 8/28/96, the phrase '441 MONEY' appears on every sheet in the upper left-hand corner. It is inexcusable that the appearance of that phrase on every single media reconciliation for the period in question did not trigger even a question in the auditors' minds that the broadcasts could have reflected 441a(d) expenditures."

<sup>24</sup> In a footnote, the Primary Committee stated "while this 30-day pre-primary rule was observed for virtually all of the ads, in a few instances ads were run within thirty days of a primary, generally when these stations failed to pull them as requested."

The Primary Committee appears to concede that the DNC ads aired during the period August 2, 1996 through August 28, 1996 contained electioneering messages and mention of a clearly identified candidate(s). It should be noted that Nov 5 media reconciliations for the DNC ads were not provided to the Audit staff until the final days of the audit fieldwork and not all the reconciliations in question (8/15/96 through 8/28/96) were annotated with the phrase "441 Money." Reports filed by the DNC did disclose expenditures to Nov 5 for media placed on behalf of President Clinton pursuant to 2 U.S.C. §441a(d) in the amount of \$2,394,409. According to the media reconciliations, the funds were used to pay for ads placed and aired prior to the Candidate's date of nomination (8/28/96) in the amount of \$2,234,812 (including commissions).

Since the above expenditures paid for ads aired prior to the Candidate's date of nomination, the Audit staff does not consider the expenditures made pursuant to 2 U.S.C. §441a(d). The fact that the DNC reported them as 441a(d) expenditures is not controlling. In the Audit staff's opinion the "bright line" regulations at 11 CFR §9034.4(e) apply because in-kind contributions are also expenditures by the recipient candidate. The "bright line" rules apply consistently to all campaign expenditures, including in-kind contributions paid for by a national party committee. The general "bright line" rule is that goods and services used exclusively for the primary or general election campaign are allocable to that election. Otherwise, expenditures for media and other communications used for both the primary and general elections are attributed between the primary and general elections based upon whether the date of broadcasts or publication is before or after the date of nomination (11 CFR §9034.4(e)(6)). Furthermore, this approach voids the possibility of having expenditures for identical media ads on behalf of the Candidate, broadcast prior to the date of nomination, treated as primary and general election expenditures depending on whether the Primary Committee or DNC paid for them. As noted at Exhibit 1, DNC ads entitled Dole/Gingrich, Them, and Scheme were identical to Primary Committee ads entitled Real Ticket, Nobody and Back. The ads do not appear to be exclusively related to the general election. The DNC ads and Primary Committee ads were aired in August 1996 prior to the Candidate's date of nomination.

Clinton's Positions vs. Dole's Positions, Clinton's Positions vs. Dole Gingrich Positions, and Clinton's Positions vs. The Republicans Positions

The Primary Committee identified certain DNC ads in which President Clinton's position on the budget, medicare, education, taxes was compared to Dole's positions or Dole's legislative record as well as ads which contrasted President Clinton's position with that of Republicans as to various legislative proposals. According to the Primary Committee, this is exactly what "issue advocacy ads" were supposed to do.

With respect to the Primary Committee assertions that only in a few instances, which resulted only when stations failed to pull them as requested, ads were run within

30 days of a primary, it should be noted that DNC ads were run within 30 days of 12 different state primaries/caucus. In one instance with respect to the Washington (State) primary held on March 26, 1996, DNC ads, with a placement cost of \$132,617, were aired during the period March 7, 1996 through March 25, 1996. The Primary Committee offered no evidence that the DNC requested such ads be pulled.

Irrespective of whether DNC ads ran within 30 days of a state's primary election date, it remains the opinion of the Audit staff that DNC ads in question, viewed separately or in total, contained an electioneering message and referenced a clearly identified candidate.

Our comments in response to arguments put forth by the Primary Committee concerning its view of what the appropriate legal standard under which the DNC ads should be evaluated are contained below.

#### A. THE LEGAL STANDARD

The Primary Committee argued that the Audit staff, in reaching its conclusion that DNC-funded media should be treated as an in-kind contribution to the Primary Committee improperly abandoned the "express advocacy" and "electioneering message" standards, and, contrary to law, applied a "purpose, content and timing" test. Response at 2-4.

The Audit Division agrees that, in cases involving spending for speech-related activity, which is made in cooperation with, or at the request of, a candidate (including the candidate's authorized political committees and/or their agents), the spending may be considered a contribution to the candidate if the resulting communication "clearly identifies" a candidate for federal office and contains an "electioneering message." See AOs 1985-14; 1984-15.<sup>21</sup> The Audit Division's reference

<sup>21</sup> The term "clearly identified" means that the name of the person involved appears, a photograph or drawing of the candidate appears, or the identity of the candidate is apparent by unambiguous reference. 2 U.S.C. § 431(18) Section 100.17 of the Commission's regulations amplifies the statute by defining "clearly identified" as meaning the candidate's name, nickname, photograph, or drawing appears, or the identity of the candidate is otherwise apparent through an unambiguous reference such as "the President," "your Congressman," or "the incumbent," or through an unambiguous reference to his or her status as a candidate such as "the Democratic presidential nominee" or "the Republican candidate for the Senate in the State of Georgia".

The definition of "electioneering message" includes statements designed to urge the public to elect a certain candidate or party, or which would tend to diminish public support for one candidate and garner support for another candidate. *FEC v. Colorado Republican Federal Campaign Committee*, 59 F.3d 1015, 1023 (10th Cir. 1995) (citing AO 1984-15), *rev'd on other grounds*, 518 U.S. 604 (1996) (The Court did not address the content of the advertisements at issue); see AO 1985-14 ("electioneering messages include statements 'designed to urge the public to elect a certain candidate or party'") (citing *United States v. United Auto Workers*, 352 U.S. 567, 587 (1957)).

to the purpose, timing and content of the advertisements at issue is consistent with the clearly identified candidate/electioneering message standard.<sup>26</sup>

Advisory Opinion 1984-15 involved two television advertisements which the RNC proposed to broadcast. These proposed advertisements each began with an image of a then-current candidate for the Democratic presidential nomination. The audio component of each advertisement then set forth the candidate's statement or position on an issue, and was followed by a reply or retort to that statement. Both advertisements ended with the statement "Vote Republican." The Commission determined that these advertisements had "[t]he clear import and purpose . . . to diminish support for any Democratic Party presidential nominee and to garner support for whoever may be the eventual Republican Party nominee . . ." The Commission further determined that the advertisements "effectively advocate the defeat of a clearly identified candidate." Based on these determinations, the Commission explained that "expenditures for these advertisements benefit the eventual Republican presidential candidate and are made with respect to the presidential general election and in connection with the presidential general election campaign." The Commission concluded that expenditures for the advertisements therefore would be reportable either as contributions subject to the limitation set forth at 2 U.S.C. § 441a(a)(2)(A), or as coordinated party expenditures subject to the limitation set forth at 2 U.S.C. § 441a(d).

AO 1985-14 involved television, radio and print advertisements, and mailers, which the Democratic Congressional Campaign Committee (DCCC) proposed to publish, and which purported to describe Republican policies. A tendered script for a television/radio advertisement encouraged the viewer/listener to "[l]et your Republican Congressman know that you don't think this is funny . . .," or in another version of the same advertisement, "[l]et the Republicans in Congress know what you think about their sense of humor." Another script for a television/radio advertisement urged one to let "your Republican Congressman" (or in a variant, "the Republicans in Congress") "know that their irresponsible management of the nation's economy must end -- before it's too late." The DCCC submitted alternative scripts, which added the closing statement "Vote Democratic" to both of these advertisements. A sample proposed mailer included the statement "[l]et Congressman X know how you feel." A variant added the exhortation to "Vote Democratic."

Citing AO 1984-15, the Commission concluded that amounts used to fund the communications would be expenditures subject to the limitation set forth at 2 U.S.C. § 441a(d) if the advertisement funded by that amount "(1) depicted a clearly identified candidate and (2) conveyed an electioneering message." Applying this standard, the Commission determined that advertisements which referred to "the Republicans in Congress" were not subject to limitation under 2 U.S.C. § 441a(d), regardless whether the

<sup>26</sup> As discussed below, the Audit Division does not agree with the Committees' argument that the "express advocacy" standard must be met before such spending constitutes a contribution to the candidate.

advertisement closed with the statement "Vote Democratic." The Commission also concluded that advertisements which referred to "your Republican Congressman" were not subject to limitation under 2 U.S.C. § 441a(d), if the advertisement did not close with the statement "Vote Democratic." However, the Commission on a tie vote was unable to decide whether advertisements which referred to "your Republican Congressman" and which closed with the statement "Vote Democratic" were subject to limitation under 2 U.S.C. § 441a(d). Finally, the Commission concluded that the costs of production and distribution of the proposed mailer would be subject to limitation under section 441a(d).

Significantly, the Commission's determination that the costs of the proposed mailer were subject to limitation under section 441a(d) was based on the Commission's assumptions that the reference to "Congressman X" indicated that the mailer would identify particular congressmen by name, and that the distribution of the mailer would include all or part of the district represented by the congressman identified in that mailer. Likewise, the Commission in AO 1985-14 made clear that its evaluation of whether or not the television/radio advertisements were subject to limitation under 2 U.S.C. § 441a(d) was made with reference to proposed dates on which the advertisements were to be run, stating that:

[The] proposed program is for the purposes of influencing the 1986 election process and [ . . . ] these activities will be scheduled for approximately the next month [June 1985] and for September 1985. The Commission emphasizes that this opinion is limited to the timetable you have specified and does not address the implementation of the same or a similar program at some later date.

The Commission's reference to the place and the timing of the communicative activity makes clear that the determination whether spending for a particular communication contains an electioneering message requires at least some reference to the context in which the communication is published.<sup>27</sup> Accordingly, the

<sup>27</sup> The Commission in AO 1985-14 assumed that the media campaign was developed without cooperation or consultation with any candidate, and based its analysis on the theory that the limitations under 2 U.S.C. § 441a(d) apply to party expenditures irrespective of coordination with a candidate. Likewise, AO 1984-15 involved an RNC media campaign which, in the view of the Commission, was intended to benefit "the eventual Republican Party nominee [for President]." Thus, AOs 1985-14 and 1984-15 both involved media campaigns which had a purpose of influencing the election of certain candidates, but which were implemented without coordination with the candidate.

The subsequent Supreme Court decision in *Colorado Republican Federal Campaign Committee v. FEC*, 518 U.S. 604 (1996), held that the First Amendment prevents enforcement of the Section 441a(d)(3) limits on independent expenditures by party committees in connection with congressional election campaigns. Accordingly, the limitations under 2 U.S.C. § 441a(d)(3) now apply only to party expenditures which are made in coordination with a congressional candidate (and/or the candidate's authorized political committees and/or their agents). However, the Court did not extend this holding to the Section 441a(d)(2) limit applicable to Presidential campaigns, declining to "address issues that might grow out of the public funding of Presidential campaigns".

Audit Division properly examined the broadcast dates and locations in reaching its conclusion that the advertisements in question in this audit should be treated as contributions.

Likewise, the purpose of the advertisements was a necessary and proper consideration which had to be weighed before the Audit Division in this audit could reach its conclusion that the DNC sponsorship of the media campaign constitutes an in-kind contribution to the Primary Committee. In AO 1985-14 the Commission explicitly relied on the representation in the Advisory Opinion Request that the media program had "the clear purpose of influencing voter perceptions of these candidates with a view toward weakening their positions as candidates for re-election . . . ." Similarly, in AO 1984-15, the conclusion that the proposed television advertisements were subject to regulation as contributions or coordinated party expenditures was explicitly based, in part, on the opinion that "the clear import and purpose of [the] proposed advertisements [was] to diminish support for whoever may be the presidential nominee and to garner support for whoever may be the eventual Republican Party nominee." Indeed, with one exception, a purpose of influencing a federal election is an indispensable element for concluding that any disbursement of funds (or other thing of value) is a contribution or coordinated party expenditure within the meaning of the Act.<sup>28</sup> See 2 U.S.C. §§ 431(8)(A)(i), (9)(A); 441a(d).

## B. ANALYSIS

The Primary Committee also argued that, under all relevant precedents, the advertisements in question qualified for treatment as issue advocacy that is not subject to regulation as contributions or coordinated party expenditures. Response at 4-24. In particular, the Primary Committee argued that political parties were permitted to coordinate with party candidates when making party expenditures, and that the Audit Division's recitation of facts related to such coordination is both irrelevant and inaccurate. *Id.* at 5-13. The Primary Committee further asserted that the advertisements did not contain "express advocacy" or an "electioneering message" but only addressed pending legislation. *Id.* at 13-24.

### 1. Coordination

The Primary Committee strenuously argued that coordination between a party and its candidates is both permissible and presumed under current law. Response at 5-7. Referring to the Supreme Court's decision in *Colorado Republican Federal Campaign Committee v. FEC*, 518 U.S. 604 (1996), the Committees quote a

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518 U.S. at 612. Thus, the issue whether or not the Section 441a(d)(2) limit applies in the absence of actual coordination between a national committee and its Presidential nominee is unsettled.

<sup>28</sup> The payment by any person of compensation for the personal services of another person which are rendered to a political committee without charge is a contribution, regardless of purpose. 2 U.S.C. § 431(8)(A)(ii).

section of the Commission's brief in that case, in which the Commission explained its presumption that party expenditures are made in coordination with its candidates. *Id.* at 5. The Committees urge that the Commission cannot, in the context of an audit, reverse this presumption, and suggest that such a reversal "can only occur through the rule-making process." *Id.*

In *Colorado Republican Federal Campaign Committee* the Supreme Court rejected the Commission's position that it may presume coordination between a party and its congressional candidates, holding that the First Amendment prohibits enforcement of 2 U.S.C. § 441a(d)(3) limits with respect to expenditures for media, if the expenditure, as a matter of fact, was made independent of any coordination or consultation with the candidate. 518 U.S. at 619-23. The Court did not extend this holding to the Section 441a(d)(2) limit applicable to Presidential campaigns, declining to "address issues that might grow out of the public funding of Presidential campaigns". 518 U.S. at 612. Thus, the issue whether or not the Section 441a(d)(2) limit applies in the absence of actual coordination between a national committee and its Presidential nominee is unsettled. In light of this uncertainty, the Audit Division in this audit properly scrutinized whether the media campaign funded by the DNC was implemented in cooperation with, or at the request of, the candidate and/or his campaign committees.

The Primary Committee also argued that the Audit Division's examination of coordination between the candidate and the committees was improper because 2 U.S.C. § 441a(a)(7)(B) does not apply to party expenditures for issue advocacy. Response at 7-8. The Primary Committee urged that the Commission "has never relied on the coordinated expenditure provision at 2 U.S.C. § 441a(a)(7)(B) when applying the expenditure limits because it has always presumed political parties coordinate their expenditures with their candidates." *Id.* at 8. The Primary Committee concluded that "under the electioneering message standard, it is solely the content that is determinative without regard to coordination or any other factors external to the ad." *Id.* The Audit Division respectfully disagrees with the Primary Committee's characterization of the law. As discussed above, the electioneering message standard necessarily involves an examination of not only the content of a communication, but also the time, place and purpose of the communication.

## 2 Electioneering Message

The Primary Committee next argued that the DNC funded advertisements did not contain an electioneering message. Response at 13-18. The Primary Committee first reiterated its position that the electioneering message standard refers solely to the content of a communication, citing Advisory Opinions 1985-14 and 1995-25 in support of this contention. Response at 13-14.

As set forth in detail above, the Audit Division believes that, contrary to the Primary Committee's arguments, AO 1985-14 supports the proposition that the electioneering message standard requires an examination of the time, place and

purpose, in addition to content, of a communication. The Primary Committee's reliance on AO 1995-25 appears to the Audit Division to be based on an incorrect and misleading characterization of the views expressed in that opinion. After describing the proposed advertisements at issue in AO 1995-25, the Primary Committee's response set forth that "the Commission did not rule that the advertisements contained an electioneering message." Response at 14. While this statement is true, it is misleading to the extent that it appears calculated to suggest that the Commission endorsed the described advertisements as not containing an electioneering message.

In fact, the Commission in AO 1995-25 explicitly declined to address the issue whether or not the proposed advertisements contained an electioneering message, stating that "[t]he Commission relies on [the requesting party's] statement that those advertisements that mention a Federal candidate or officeholder will not contain any electioneering message. In view of this representation, the Commission *does not express any opinion as to what is or is not an electioneering message by a political party committee.*" AO 1995-25 at n.1 (emphasis added).

Similarly, the Primary Committee represented that the expenditures for advertisements in AO 1995-25 "were not found by the FEC to be allocable as coordinated party expenditures subject to the 441a(d) limit, even though they were to air at a time when [President Clinton] was a candidate for office." Again, the Primary Committee's statement is technically true, but is misleading to the extent that it suggested that the Commission found that the expenditures were not subject to 2 U.S.C. § 441a(d). In fact, the Commission explicitly left open the possibility that the advertisements might be subject to Section 441a(d), stating its conclusion that "legislative advocacy media advertisements that focus on national legislative activity and promote the Republican Party should be considered as made in connection with both Federal and non-federal elections. *unless the ads would qualify as coordinated expenditures on behalf of any general election candidates of the party under 2 U.S.C. § 441a(d)*" (emphasis added).

Advisory Opinion 1995-25 thus explicitly declined to address the propositions which the Primary Committee contended it supported, and the Audit Division rejects the Primary Committee's notion that AO 1995-25 represents "[t]he Commission reaffirm[ing] its content-based electioneering message test . . . ." Response at 14.<sup>29</sup>

Having set out their views on the meaning and application of the electioneering message test, the Primary Committee then argued that the DNC-funded advertisements in question were indistinguishable from advertisements which the

<sup>29</sup> The Primary Committee also point out the Statements of Reasons in Matter Under Review 4246 demonstrate a difference of opinion within the Commission over whether, consistent with the First Amendment, the Commission can require that the costs associated with issue advocacy be allocated between federal and non-federal funds. Response at 15. For the reasons previously stated, the view of the Audit Division is that the advertisements in question in this audit are not "issue advocacy" as was at issue in MUR 4246.

Commission in AOs 1985-14 and 1995-25 held did not contain an electioneering message. Response at 16-18. The Audit Division believes that its conclusion that DNC-funded media in this audit should be treated as an in-kind contribution to the Primary Committee was consistent with the analysis expressed in AO 1985-14.

As discussed above, the Commission in AO 1985-14 concluded that the 2 U.S.C. § 441a(d) limit did not apply to advertisements which referred to "the Republicans in Congress" (regardless whether the advertisement closed with the statement "Vote Democratic"), nor to advertisements which referred to "your Republican Congressman" (if the advertisement did not close with the statement "Vote Democratic"). Thus, the advertisements which the Commission in AO 1985-14 concluded were not subject to Section 441a(d) did not depict a "clearly identified candidate."

In contrast, the advertisements in question in this audit explicitly identify President Clinton and, in some cases, Senator Dole. Because these advertisements also address the policies of the President and his Republican opponents in a way which, on its face, appears calculated to encourage the viewer to vote for President Clinton, the Audit Division believes that the advertisements at issue meet both the "clearly identified candidate" and "electioneering message" tests. Indeed, because the advertisements in this matter do identify specific Republican and Democratic candidates for President, these advertisements are more akin to the proposed mailer, also at issue in AO 1985-14, in which the DCCC intended to identify specific congressmen by name. Based on its understandings that the proposed mailers would identify particular congressmen by name, and that the distribution of the mailer would include all or part of the district represented by the congressman identified in that mailer, the Commission concluded that the costs of production and distribution would be subject to limitation under the Act.

The Primary Committee's reliance on AO 1995-25 is equally misplaced. As discussed above, AO 1995-25 explicitly declined to reach the issue whether or not the advertisements under scrutiny in that case contained an electioneering message, and left open the question whether or not the ads would qualify as coordinated expenditures on behalf of any general election candidates of the party under 2 U.S.C. § 441a(d). Thus, even if the Primary Committee was correct in its contention that the advertisements in question in this audit were "indistinguishable" from the advertisements in AO 1995-25, that similarity is meaningless with respect to the application of the electioneering message analysis in this audit. Whatever similarities may be drawn between the content of the advertisements in the two cases, in this audit it appears that the timing and the geographic placement of the media were in fact calculated to serve the purpose of garnering support for President Clinton's re-election campaign.

### 3. Express Advocacy

The Primary Committee further argued that the express advocacy standard, rather than the clearly identified candidate/electioneering message standard, was

the appropriate test for determining whether the Section 441a(d) limit applies to a particular party expenditure for media. Response at 4 (“[a] communication which lacks any explicit exhortation to vote for a specific candidate can never reach the level of an express advocacy communication and therefore, is constitutionally protected speech.”), 18-23.

In *Buckley v. Valeo*, 424 U.S. 1 (1976), the Supreme Court of the United States held only that expenditures for communications that are independent from a candidate (and his or her committee and agents) are protected from governmental regulation by the First Amendment if the communications do not “in express terms advocate the election or defeat of a clearly identified candidate for federal office.” 424 U.S. at 44. The Court made equally clear that communications that are authorized or requested by the candidate, an authorized committee of the candidate, or an agent of the candidate are to be treated as contributions by the person or group making the expenditure. 424 U.S. at 46-47, n.53. The Court recognized that coordinated expenditures are treated as in-kind contributions subject to the contribution limitations in order to “prevent attempts to circumvent the Act through prearranged or coordinated expenditures amounting to disguised contributions.” 424 U.S. at 46-47.

Consistent with *Buckley*, courts have not applied the “express advocacy” test to contributions or coordinated expenditures. *FEC v. Massachusetts Citizens for Life, Inc.*, 479 U.S. 238, 259-60 (1986) (“We have consistently held that restrictions on contributions require less compelling justification than restrictions on independent spending” (citing *FEC v. National Conservative Political Action Committee*, 470 U.S. 480 (1985); *California Medical Association v. FEC*, 453 U.S. 182, 194, 196-97 (1981); and *Buckley*, 424 U.S. at 20-22)); see also *FEC v. Colorado Republican Federal Campaign Committee*, 59 F.3d 1015 (10<sup>th</sup> Cir. 1995) (reversing district court holding that express advocacy was necessary for communication to qualify as an expenditure under 2 U.S.C. § 441a(d)), *vacated and remanded on other grounds*, 518 U.S. 604 (1996) (plurality op.); *Orloski v. FEC*, 795 F.2d 156, 166-167 (D.C. Cir. 1986). The Audit Division believes that application of the express advocacy test to coordinated party expenditures is unwarranted.

First, not all coordinated expenditures are communicative. For instance, suppose a candidate asks a supporter to pay the campaign committee’s electric bill, and the supporter does so with a personal check. The conclusion that the supporter has thus made an in-kind contribution, in that he has made an expenditure of money to pay for a thing of value to the campaign and has done so at the request or suggestion of the candidate, is entirely consistent with the definition of “expenditure” at 2 U.S.C. § 431(9)(A) and with 2 U.S.C. § 441a(a)(7)(B)(i), which provides that coordinated expenditures are contributions. Yet, there is surely no “express advocacy” in the electric bill, the supporter’s act of paying for it, or the check with which he pays for it.

Second, the vagueness concerns that animated the Supreme Court’s application of the express advocacy test to independent expenditures in *Buckley* are not

present in the case of coordinated expenditures. In the context of "independent expenditures," the *Buckley* Court limited the phrase "for the purpose of . . . influencing" to reach only "communications that expressly advocate the election or defeat of a clearly identified candidate." 424 U.S. at 80. It did so because it was concerned that the Act's requirements for disclosure of independent expenditures above a certain dollar threshold "could be interpreted to reach groups engaged purely in issue discussion." *Id.* at 79. However, the Court stated that the phrase "for the purpose of . . . influencing" "presents fewer problems in connection with the definition of a contribution because of the limiting connotation created by the general understanding of what constitutes a political contribution," *id.* at 23-24 n.24, an understanding that the Court acknowledged included coordinated expenditures, *id.* at 46, 78. In other words, because "the distinction between discussion of issues and candidates and advocacy of election or defeat of candidates may often dissolve in practical application," *id.* at 42, it would be difficult to know in advance without the express advocacy standard whether a given *independent* communication had a sufficient nexus to a Federal election to be subject to the Act; but in the case of a *coordinated* communication some, and perhaps all, of the required nexus to a Federal election may be found *in the act of coordination itself*. *Id.* at 78 ("So defined, 'contributions' have a sufficiently close relationship to the goals of the Act, for they are connected with a candidate or his campaign."). See also *Colorado Republican*, 518 U.S. at 617 ("[T]he constitutionally significant fact . . . is the lack of coordination between the candidate and the source of the expenditure.").

Third, the application of a strict "express advocacy" test to coordinated expenditures undermines the statutory purpose of protecting the electoral process from real or apparent corruption in a way that application of the same test to independent expenditures does not. As the Court noted in *Buckley*, "[t]he absence of prearrangement and coordination of an expenditure with the candidate or his agent . . . alleviates the danger that expenditures will be given as a *quid pro quo* for improper commitments from the candidate." 424 U.S. at 47. By negative inference, one must conclude that the Court recognized that the presence of prearrangement and coordination of an expenditure with the candidate or his or her agent presents at least as much, if not greater, danger of corruption or its appearance as does a direct contribution to the candidate. This danger is a "constitutionally sufficient justification" for the Act's limitations and prohibitions on contributions. See *id.* at 26. However, strict application of an express advocacy test to coordinated expenditures would render the Act's limitations and prohibitions on contributions (which were upheld in *Buckley*) ineffective. The *Buckley* Court explained:

The exacting interpretation of the statutory language necessary to avoid unconstitutional vagueness [in the ceiling on independent expenditures] thus undermines the [expenditure limitation's] effectiveness . . . by facilitating circumvention by those seeking to exert improper influence on a candidate or office-holder. It would naively underestimate the ingenuity and resourcefulness of persons and groups desiring to buy influence to believe that they would have much difficulty devising expenditures that

skirted the restriction on express advocacy of election or defeat but nevertheless benefited the candidate's campaign. Yet no substantial societal interest would be served by a loophole-closing provision designed to check corruption that permitted unscrupulous persons and organizations to expend unlimited sums of money in order to obtain improper influence over candidates for elective office.

*Buckley*, 424 U.S. at 45. In the very next paragraph, the Court went on to say that the prior Act's limitations on expenditures were in any event not necessary to close a loophole in the Act's contribution limitations, because the Act treated coordinated expenditures as contributions, thus closing the loophole. *Id.* at 45-46. It is inconceivable that the Court would have so held if it viewed coordinated expenditures as subject to the same narrowing construction as independent expenditures.<sup>20</sup>

Having argued that express advocacy is the appropriate standard, the Primary Committee argued that the DNC-funded advertisements satisfied neither the express advocacy nor the electioneering message standard. Response at 23-24. For the reasons set forth above, the Audit Division's position is that the express advocacy standard does not apply to the media expenditures in question. The Audit Division does not, however, dispute that the advertisements in question do not contain "express advocacy." For the reasons stated above, the Audit Division believes that the advertisements do meet the clearly identified candidate/electioneering message standard.

#### 4. The Media Campaign

The Primary Committee next argued that, even under the Audit Division's "erroneous" analysis, the DNC-funded media should not be treated as contributions. Response at 24-36. In support of its argument, the Primary Committee presented a lengthy and detailed explanation why the media campaign was related to pending legislation and targeted to "key" congressional districts. *Id.* at 25-33. The Primary Committee also contended that the advertisements in question were timed to avoid proximity to the general election. *Id.* at 33-34. Finally, the Primary Committee argued that the Audit Division subjected the advertisements to a "faulty" or "flawed" analysis when it concluded that the advertisements contained an electioneering message.

<sup>20</sup> It should be noted that these "quid pro quos" may constitute violations of the Act if they are in excess of contribution limitations (e.g., in excess of \$1,000 for individuals) or if the contribution is prohibited (e.g. corporate or labor organization contributions). See 2 U.S.C. §§ 441a(a)(2)(A); 441b(a). Moreover, the contributions are considered expenditures of the committees receiving the contribution. The fact that the subject coordinated expenditure is considered an expenditure of the recipient committee is particularly relevant in the context of publicly-financed political committees which must comply with expenditure limitations. Expenditures made in excess of a publicly-financed committee's expenditure limitation constitute non-qualified campaign expenses which must be repaid to the U.S. Treasury, and the act of exceeding an expenditure limitation results in a violation of the law. 2 U.S.C. § 441a; 26 U.S.C. § 9035. If the coordinated expenditures made on behalf of publicly-financed committees are allowed to go on unfettered, the expenditure limitations would be eviscerated.

*Id.* at 34-36. The Primary Committee's argument was supported by the affidavit of William Knapp, a principal in Squier, Knapp & Ochs during the campaign, in which he stated that the Response "accurately summarizes the issues and targeting for the DNC issue ads."

The Audit Division does not dispute that the advertisements in fact address pending political issues. However, the facts ascertained during the audit indicate that the primary purpose for addressing these issues was to assist President Clinton's re-election. It further appears that those facts which might otherwise demonstrate that the purpose and "targeting" of the advertisements were related to an overall party agenda (rather than the President's re-election) are true because of a deliberate effort to conceal the actual purpose of the advertisements.

For example, an agenda for a September 13, 1995, meeting with President Clinton sets forth the matter of "Campaign/DNC Advertising Financial Strategy." The agenda further sets forth a recommendation of four flights of television advertisements. For the period January 15 to April 15, 1996, the agenda describes the media flight as follows:

- a. answers to Republican *primary attacks* on us
- b. \$15 million - run in *primary states which are also swing states for us*
- c. *Need to work to make it state parties/DNC*
  1. *create relationship to current legislation*
  2. *defend more Dems than Clinton; attack more Republicans than Dole*
  3. *run in non primary states as well*
  4. *run in some areas well before primary*
- d. Ultimately, likely about \$3 mil out of campaign and \$12 mil out of party

(emphasis added). Entries for other media flights contain similar references to targeting "swing states" with media funded by the DNC and state parties. A similar memorandum, dated February 22, 1996, estimates campaign spending through May 28, 1996 as follows:

- ... Total Clinton Gore Money through May 28: \$2.5 mil.
1. Unless Alexander is nominated and we cannot use DNC money to attack him.
  2. If Dole is nominated, we need no additional CG money for media before May 28 since we can attack Dole with DNC money.

With respect to 4.a. above (answers to Republican *primary attacks* on us), it should be noted that during the period April 1996<sup>31</sup> through August 1996, the Republican National Committee (RNC) aired a series of ads apparently designed to

<sup>31</sup> To date, records have not been made available to determine if any RNC ads were placed and aired by the RNC prior to April 1996.

diminish support for President Clinton. These ads addressed a balanced budget (More Talk and Even More Talk), immigration (More), welfare (Case Study and Who) and taxes (The Pledge and Surprise). The Democratic National Committee during the same period in apparent response to these RNC ads aired a number of ads. DNC ads entitled Same, Proof, Side, Defend, Risky and Values addressed the Candidate's positions on taxes, welfare reform and budget, while DNC ads entitled Increased, Another and Enough discussed the Candidate's positions and policies on immigration. The text of these DNC ads are included at Exhibits 2 and 3.

For example, in June 1996 an RNC ad entitled "More" points out that President Clinton's spending which benefited illegal immigrants has gone up while wages for the typical American worker have gone down and that President Clinton opposed efforts to stop giving benefits to illegal immigrants (see Exhibit 6 for text of the ad "More"). Subsequent to the RNC ad being aired, the DNC, apparently in response, aired ads entitled "Increased," "Another" and "Enough." The audio portion of the three ads were similar. Each begins with, "[a]nother negative republican ad misleading ["wrong" was used in the ad Another], President Clinton increased border patrols 40 percent to catch illegal immigrants, record number of deportations, no welfare for illegal aliens ... ." The DNC ads ran on many of the same broadcast stations as well as on other stations within the targeted area that aired the RNC ad.

It thus appears that media funded by the DNC either directly or indirectly through various democratic state parties was used for campaign purposes such as answering Republican "primary attacks" and influencing voter preferences in primary and swing states. Furthermore while it is true that the advertisements in question were ran at times and in locations which suggest that the purpose of the advertisements was something other than garnering support for President Clinton, it appears that this is true because of a deliberate effort to conceal the actual purpose and strategy behind the advertisements. Finally, it appears clear that the amount of DNC funds to be committed to the advertisements varied depending on who received the Republican nomination. Under these facts, the Audit Division concluded that the DNC-funded media should be treated an in-kind contribution to the Primary Committee.

#### RECOMMENDATION #1

The Audit staff recommends that the Commission determine that the cost of producing and broadcasting the ads discussed above and attributed to the Primary Committee \$46,580,358, represents an in-kind contribution from the DNC to the Primary Committee. It is also recommended that it be determined that this in-kind contribution is attributable to the Primary Committee's spending limitation.

Should the Commission's analysis of the facts, interpretation of applicable law, and conclusions be different from that presented above, the amount to be added to Primary Committee' spending limitation could be changed or eliminated.

**B. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES**

Section 9032.9(a) of Title 11 of the Code of Federal Regulations defines, in part, a qualified campaign expense as one incurred by or on behalf of the candidate from the date the individual became a candidate through the last day of the candidate's eligibility; made in connection with his or her campaign for nomination.

Section 9033.11(a) of Title 11 of the Code of Federal Regulations states, in part, that each candidate shall have the burden of proving that disbursements made by the candidate or his or her authorized committee(s) or persons authorized to make expenditures on behalf of the candidate or committee(s) are qualified campaign expenses as defined in 11 CFR 9032.9.

Section 9033.11(b)(1) of Title 11 of the Code of Federal Regulations, in part, that for disbursements in excess of \$200 to a payee, the candidate shall present a canceled check negotiated by the payee and either: A receipted bill from the payee that states the purpose of the disbursement; or if such receipt is not available, one of the following documents generated by the payee: a bill, invoice, or voucher that states the purpose of the disbursement; or a voucher or contemporaneous memorandum from the candidate or the committee that states the purpose of the disbursement; or the candidate or committee may present collateral evidence to document the qualified campaign expense. Such collateral evidence may include, but is not limited to: Evidence demonstrating that the expenditure is part of an identifiable program or project which is otherwise sufficiently documented such as a disbursement which is one of a number of documented disbursements relating to a campaign mailing or to the operation of a campaign office; or evidence that the disbursement is covered by a pre-established written campaign committee policy. If the purpose of the disbursement is not stated in the accompanying documentation, it must be indicated on the canceled check.

Section 9034.4(e)(1) of Title 11 of the Code of Federal Regulations states that any expenditure for goods or services that are used exclusively for the primary election campaign shall be attributed to the expenditure limit for the primary. Any expenditure for goods or services that are used exclusively for the general election campaign shall be attributed to the general election limit.

Section 9034.4(e)(3) of Title 11 of the Code of Federal Regulations states that overhead expenditures and payroll costs incurred in connection with state or national campaign offices, shall be attributed according to when the usage occurs or the work is performed. Expenses for usage of offices or work performed on or before the date of the candidate's nomination shall be attributed to the primary election, except for periods when the office is used only by persons working exclusively on general election campaign preparations.

Section 9034.4(a) of Title 11 of the Code of Federal Regulations, states that all contributions received by an individual from the date he or she becomes a

candidate and all matching payments received by the candidate shall be used only to defray qualified campaign expenses or to repay loans or otherwise restore funds (other than contributions which were received and expended to defray qualified campaign expenses) which were used to defray qualified campaign expenses.

Section 9034.4(a)(5)(ii) of Title 11 of the Code of Federal Regulations, states that gifts and monetary bonuses shall be considered qualified campaign expenses, provided that all monetary bonuses for committee employees and consultants in recognition for campaign-related activities or services are provided for pursuant to a written contract made prior to the date of ineligibility and are paid no later than thirty days after the date of ineligibility.

Section 9034.4(b)(8) of Title 11 of the Code of Federal Regulations, states that the cost of lost or misplaced items may be considered a nonqualified campaign expense. Factors considered by the Commission in making this determination shall include, but not be limited to, whether the committee demonstrates that it made conscientious efforts to safeguard the missing equipment; whether the committee sought or obtained insurance; the type of equipment involved; and the number and value of items that were lost.

Section 9034.4(b)(3) of Title 11 of the Code of Federal Regulations states, that any expenses incurred after a candidate's date of ineligibility are not qualified campaign expenses except to the extent permitted under 11 CFR 9034.4(a)(3). In addition, any expenses incurred before the candidate's date of ineligibility for goods and services to be received after the candidate's date of ineligibility, or for property, services, or facilities used to benefit the candidate's general election campaign, are not qualified campaign expenses.

Section 9038(b)(2)(A) of Title 26 of the United States Code states that if the Commission determines that any amount of any payment made to a candidate from the matching payment account was used for any purpose other than to defray the qualified campaign expenses with respect to which such payment was made it shall notify such candidate of the amount so used, and the candidate shall pay to the Secretary an amount equal to such amount.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states that the amount of any repayment sought under this section shall bear the same ratio to the total amount determined to have been used for non-qualified campaign expenses as the amount of matching funds certified to the candidate bears to the candidate's total deposits, as of 90 days after the candidate's date of ineligibility.

Section 9038.2(a)(2) of Title 11 of the Code of Federal Regulations states that the Commission will notify the candidate of any repayment determinations made under this section as possible, but not later than three years after the close of the matching

payment period. The Commission's issuance of the audit report to the candidate under 11 CFR §9038.1(d) will constitute notification for purposes of this section.

1. General Election Expenses Paid by the Primary Committee

During our review of vendor files, expenses were noted that appeared to further the Candidate's general election campaign for election but were paid by the Primary Committee. Each is discussed briefly below:

a. Bismarck Enterprises

The Primary Committee paid Bismarck Enterprises \$22,984<sup>32</sup> for catering services provided on August 29, 1996 at the Democratic National Convention (the Convention). These services were provided after the Candidate's date of ineligibility (August 28, 1996) and therefore considered a general election expense. The Primary Committee contended that the Candidate's date of ineligibility was not until August 29, 1996, the last day of the Convention, because under Democratic Party rules the nominee for the office of President does not become the candidate of the Democratic Party of the United States until he or she has completed his or her acceptance speech to the Convention.<sup>33</sup>

The Primary Committee provided a letter from Sam Karatas, Director of Food and Beverage Bismarck Enterprises, which stated that the Primary Committee utilized several suites and banquet facilities during the Convention on the dates of August 26 through August 29. Mr. Karatas also related that food and beverages were provided to nineteen suites during this period and that on August 27, a luncheon buffet was prepared for Mrs. Gore. Mr. Karatas added that a small banquet was also set up in the President's waiting lounge on August 29 before he went on the main stage.

Concerning the above information, neither Mr. Karatas nor the Primary Committee provided documentation or evidence which demonstrated that the catering services provided on August 29, 1996, the day after the President received the nomination, were goods and services used exclusively for the Candidate's primary election campaign.

In the Memorandum the Audit staff recommended that the Primary Committee provide evidence or documentation that the goods and services were

<sup>32</sup> The catering charges include equipment rental and gratuities which were pro rated by the Audit staff based on a percentage of the catering charges for August 29th to the total catering charges.

<sup>33</sup> The Primary Committee submitted a letter challenging the Commission's determination that the candidate's date of ineligibility is August 28, 1996. It argued that the date should be August 29, 1996. The Commission denied the Primary Committee's request.

used exclusively for the Candidate's primary election campaign or evidence that the General Committee has reimbursed the Primary Committee \$22,984. Absent adequate documentation to demonstrate the expenses were exclusive to the primary election campaign or evidence that the Primary Committee has received reimbursement from the General Committee, the Audit staff will recommend that the Commission make a determination that the Primary Committee make a pro-rata repayment to the United States Treasury.

In response to the Memorandum, the Primary Committee stated that in light of the Commission's previous ruling on the date of ineligibility, the General Committee agreed to reimburse the Primary Committee for the full amount of the Bismarck Enterprises services (\$22,984).

To date no evidence was provided which demonstrated the General Committee reimbursed \$22,984 to the Primary Committee. Therefore, the payment to Bismarck Enterprises is viewed as a non-qualified campaign expense and a pro rata repayment of \$3,462 is due the United States Treasury ( $\$22,984 \times .150630$ ).

### Recommendation #2

The Audit staff recommends the Commission make a determination that the Primary Committee make a pro-rata repayment of \$3,462 ( $\$22,984 \times .150630$ ) to the United States Treasury pursuant to 26 U.S.C. 9038(b)(2).<sup>34</sup> If the Primary Committee receives a reimbursement of \$22,984 from the General Committee, no repayment is required.

Should the Commission's analysis of the facts, interpretation of applicable law, and conclusions be different than that presented above, the amount due to the U.S. Treasury would be changed or eliminated.

#### b. AT&T Capital Corporation

The Primary Committee entered into a lease agreement with AT&T Capital Corporation for equipment. The term of the lease was for 18 months commencing on June 1, 1995. It appeared, based on documentation, that the Clinton/Gore '96 General Committee, Inc. was to have assumed the lease after the Candidate's date of ineligibility (August 28, 1996) through November, 1996. The total lease payments including sales tax were \$422,826. The General Committee's allocable

<sup>34</sup> This figure (.150630) represents the Primary Committee's repayment ratio, as calculated pursuant to 11 CFR §9038.2(b)(2)(iii). The ratio cited in the Memorandum was (.316062). The formula for calculating the repayment ratio now includes all in-kind contributions received by the Primary Committee which resulted in a lower repayment ratio.

share was \$94,133<sup>35</sup> of which the General Committee paid only \$30,397. The balance, \$63,736, paid by the Primary Committee should have been paid by the General Committee. The Primary Committee in its response acknowledged that the General Committee should have paid \$93,464, based on its calculation.<sup>36</sup> Accordingly, the Audit staff included on the Primary Committee statement of Net Outstanding Campaign Obligations an account receivable from the General Committee in the amount of \$63,736.

In the Memorandum, the Audit staff recommended that the Primary Committee provide evidence that the balance, \$63,736, paid by the Primary Committee is not exclusively related to the general campaign or evidence that the Primary Committee has received a reimbursement from the General Committee for \$63,736. Absent adequate documentation to demonstrate the above amount was exclusive to the general campaign or evidence that the Primary Committee has received reimbursement from the General Committee (\$63,736) the Audit staff will recommend that the Commission make a determination that the Primary Committee make a pro-rata repayment to the United States Treasury.

In response to the Memorandum, the Primary Committee stated that the General Committee agreed to reimburse the Primary Committee \$63,736. However, the Primary Committee has not provided evidence that it received a reimbursement from the General Committee. Therefore, the amount is viewed as a non-qualified campaign expense.

### Recommendation #3

The Audit staff recommends the Commission make a determination that the Primary Committee make a pro-rata repayment of \$9,601 ( $\$63,736 \times .150630$ ) to the United States Treasury pursuant to 26 U.S.C. 9038(b)(2). If the Primary Committee receives a reimbursement of \$63,736 from the General Committee, no repayment is required.

Should the Commission's analysis of the facts, interpretation of applicable law, and conclusions be different than that presented above, the amount due to the U.S. Treasury would be changed or eliminated.

#### c. Salary and Overhead

The Primary Committee paid salary and overhead expenses, totaling \$340,579, that were incurred subsequent to the Candidate's date of ineligibility. For example, the Primary Committee paid all costs associated with the

<sup>35</sup> This amount was derived by pro rating \$30,397 for three days in August, 1996 plus \$30,397 each for September, October and November.

<sup>36</sup> The difference between Audit and the Primary Committee is \$669.

Little Rock office for the period August 29, 1996 through December 5, 1996. Staff in this office, according to Primary Committee records, were working on both primary contribution processing and GELAC contribution processing. These expenses are attributable to the general election and should have been paid by the General Committee/GELAC pursuant to 11 CFR 9034.4(e)(3). The Audit staff determined based on our review of the Primary Committee's records pertaining to its allocation of salary and overhead that \$192,288 in expenses are attributable to the General Committee and \$148,291 to the GELAC. With respect to that portion of salary and overhead expenses attributable to GELAC (\$148,291), it should be noted that the GELAC as of January 31, 1997 reimbursed the Primary Committee \$94,972. Therefore, expenses for salary and overhead, totaling \$53,319 (\$148,291 - 94,972), is due the Primary Committee from the GELAC and \$192,288 is due the Primary Committee from the General Committee.

Schedules were provided to the Primary Committee at a conference held on March 18, 1998. The Primary Committee did not respond other than to state it believed winding down expenses, consisting of salary and overhead, should be permissible subsequent to the Candidate's date of ineligibility.

In the Memorandum, the Audit staff recommended that the Primary Committee provide documentation which demonstrates that the expenses for salary and overhead paid by the Primary Committee subsequent to the Candidate's date of ineligibility represented the cost of goods and services used exclusively for the primary election campaign or evidence that the Primary Committee has received reimbursements from the General Committee (\$192,288) and the GELAC (\$53,319). Absent adequate documentation to demonstrate the expenses were exclusive to the primary election campaign or evidence that the Primary Committee has received reimbursement from the General Committee totaling 192,288, and \$53,319 from the GELAC the Audit staff will recommend that the Commission make a determination that the Primary Committee make a pro-rata repayment of \$36,996 ( $\$192,288 + 53,319 \times .150630$ ) to the United States Treasury.

In response to the Memorandum, the Primary Committee stated that pursuant to §9034.4(a)(3)(iii), 100% of salary, overhead and computer expenses incurred after the date of ineligibility may be treated as exempt legal and accounting beginning with the first full reporting period after the date of ineligibility. The Primary Committee stated further that nothing in the regulation limits the ability of a candidate in the general election to pay primary winding down costs during the general election period. In addition, the Primary Committee stated that the Commission's bright line regulation at §9034.4(e) refers to campaign expenditures subject to the limit, not to winding down costs. Also, it is stated by the Primary Committee that the entire accounting/matching funds staff located in Little rock provided no general election services other than the GELAC contribution services. Finally, the Primary Committee stated that costs related to Primary Committee winding down were incurred in the DC accounting office by accounting personnel specifically assigned to accounting for the

Primary Committee and those individuals spent no time related to general election activity.

The Primary Committee agreed that the General Committee would reimburse the Primary Committee for expenses totaling \$39,753 that were allocable to the General Committee, but that no additional reimbursements are due the Primary Committee from the General Committee due to the inapplication of 11 CFR §9034.4(e)(3) to post DOI winding down expenses. As of 9/30/98, the \$39,753 has not been paid to the Primary Committee according to disclosure reports filed.

It is the opinion of the Audit staff that 11 CFR §9034.4(e) applies to both operating costs and winding down costs. Expenditures must be exclusively for the primary campaign or the general election campaign to be attributed to that campaign. The Explanation and Justification for 11 CFR §9034.4(e)(3) addresses overhead and payroll costs incurred in connection with state or national campaign offices. These costs are attributed according to when usage of the office occurs. For usage on or before the date of the candidate's nomination, these expenses are attributed to the primary election, except for periods when the office is used only by persons working exclusively on general election campaign preparations.

#### Recommendation #4

The Audit staff recommends the Commission make a determination that the Primary Committee make a pro-rata repayment of \$36,996 (\$192,288 + 53,319 x .150630) to the United States Treasury pursuant to 26 U.S.C. §9038(b)(2). If the Primary Committee receives a reimbursement of \$192,288 from the General Committee and \$53,319 from the GELAC, no repayment would be required.

Should the Commission's analysis of the facts, interpretation of applicable law, and conclusions be different than that presented above, the amount due to the U.S. Treasury would be changed or eliminated.

#### 2. Morris & Carrick, Inc.

A consulting agreement was entered into between the Primary Committee and Morris & Carrick, Inc. (M&C). The agreement covered the period February 1, 1996 through August 30, 1996. M&C billed the Primary Committee on a monthly basis. In accordance with the agreement, the Primary Committee paid M&C \$15,000 per month.

In addition, M&C billed the Primary Committee on August 30, 1996 for an additional \$30,000, which the Primary Committee paid on September 30, 1996. The invoice to the Primary Committee was annotated "Remaining Primary Invoice." Although the agreement stated it may be further extended, renewed or amended upon written agreement of the parties, there was no provision in the original agreement or

any amendments to the agreement which covered this billing and/or the payment made on September 30, 1996. A Primary Committee representative stated the vendor performed extra work than was originally anticipated and, therefore, was paid an additional \$30,000.

Subsequently, the Primary Committee submitted a written response which stated that the \$30,000 payment was actually owed by the General Committee, not the Primary Committee. M&C was actually owed a total of \$95,000 under the General Committee contract, but was only paid \$65,000 on October 10, 1996 by the General Committee. Further, the Primary Committee stated because M&C mistakenly billed the \$30,000 to the Primary Committee, committee staff paid the invoice as directed. Although the Primary Committee stated a copy of the "misdirected invoice" was included with its response, it was not. Finally, the Primary Committee stated that the General Committee will reimburse the Primary Committee \$30,000, representing the amount paid and owed to M&C.

In support of its current position, the Primary Committee provided a copy of a consulting agreement between M&C and the General Committee. This copy was not signed by either party.<sup>37</sup> Subsequently, the Primary Committee made available a copy of the "misdirected invoice."

The unsigned agreement between the General Committee and M&C specified an effective date of August 30, 1996 and a termination date of November 30, 1996. It further states M&C was to be paid \$95,000 within 30 days of execution of the agreement.

In our opinion, based on the information provided as of the close of audit fieldwork, the General Committee's agreement appeared to be effective as of August 30, 1996, it was unclear why M&C would mistakenly issue an invoice on the same date and for only \$30,000, when, in fact, the entire amount (\$95,000) to be paid, pursuant to the agreement, was due within 30 days of execution. On September 30, 1996, when M&C did directly issue an invoice to the General Committee, it was for \$65,000.

In the Memorandum, the Audit staff recommended that, the Primary Committee provide a copy of the executed contract (signed by all parties and dated) between the General Committee and Morris & Carrick. In addition, a signed statement from M & C which explains in detail why M & C billed the Primary Committee for \$30,000 on August 30, 1996, when the Primary Committee obligations under its contract were fulfilled. Absent adequate documentation to demonstrate the expenses at issue were, in fact qualified campaign expenses, the Audit staff will recommend that the Commission make a determination that the Primary Committee make a pro-rata repayment of \$4,519 ( $\$30,000 \times .150630$ ) to the United States Treasury pursuant to 11 CFR §9038.2(b)(2).

<sup>37</sup> The Primary consulting agreement was signed by the Primary Committee and M&C.

In response to the Memorandum, the Primary Committee stated that an executed contract between the General Committee and Morris & Carrick did not exist. However, the Primary Committee provided an affidavit from William A. Carrick, Jr., the President of Morris & Carrick, Inc.

Mr. Carrick stated that M & C agreed to provide political consulting services to both the Primary Committee and General Committee. M & C agreed in writing to provide services to the Primary Committee in return for \$105,000 - \$15,000 per month for 7 months and M & C was paid in full for all services provided to the Primary Committee.

Mr. Carrick continued that the General Committee orally agreed that services would be provided in return for \$95,000, to be paid within 30 days from the anticipated date of execution of the contract (August 30, 1996). The agreement was reflected in a proposed written contract, however, unintentionally, the parties never signed that contract. Mr. Carrick stated further, that both parties treated the proposed contract as though it had been fully executed and abided by all of its terms.

According to Mr. Carrick, M & C mistakenly billed the Primary Committee, instead of the General Committee for \$30,000 and that the Primary Committee paid the bill without questioning it. He stated that M & C was unaware of the mistake on this bill and was also unaware that the \$30,000 was paid from the Primary Committee. Further, M & C received payments totaling \$200,000 in full satisfaction of all obligations owed and duties performed under the Primary and General Committee agreements and that M & C did not receive any funds above and beyond those called for in the agreements with the Primary and General Committees. Finally, Mr. Carrick stated that M & C never received a bonus payment from either the Primary or the General Committee and that all payments were in accordance with its written agreements with both the Primary and General Committees.

Although the Primary Committee did not provide a copy of an executed contract between the General Committee and M & C, as recommended, it did provide information in the form of an affidavit from William Carrick, Jr. which explained that the Primary Committee was apparently billed in error.

In view of this apparent billing error and resulting payment by the Primary Committee of a General Committee expense, the General Committee should reimburse the Primary Committee \$30,000.<sup>38</sup> Absent such a reimbursement, the amount paid (\$30,000<sup>39</sup>) by the Primary Committee represents a non-qualified campaign expense.

<sup>38</sup> This amount is shown as due to the Primary Committee on the Statement of Net Outstanding Qualified Campaign Expenses prepared by the Audit staff and included in the General Committee's Audit Report

<sup>39</sup> This amount is not included on the Statement of Net Outstanding Campaign Obligations as due from the General Committee because the payment to M&C occurred after the candidate's date

**Recommendation #5**

The Audit staff recommends that the Commission determine that the Primary Committee make a pro rata repayment of \$4,519 ( $\$30,000 \times .150630$ ) to the United States Treasury pursuant to 11 CFR § 9038.2(b)(2). Should the Primary Committee provide evidence that it has been reimbursed by the General Committee, the repayment would not be required.

Should the Commission's analysis of the facts, interpretation of applicable law, and conclusions be different than that presented above, the amount due to the U.S. Treasury would be changed or eliminated.

**C. SHERATON NEW YORK HOTEL & TOWERS**

Section 441a(a)(2)(A) of Title 2 of the United States Code states that no multicandidate political committee shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$5,000.

Section 441a(a)(7)(B)(i) of Title 2 of the United States Code states that expenditures made by any person in cooperation, consultation, or concert, with, or at the request or suggestion of, a candidate, his authorized political committees, or their agents, shall be considered to be contribution to such candidate.

Section 110.8(e)(1)(i)(ii) of Title 11 of the Code of Federal Regulations states that a political party may make reimbursement for the expenses of a candidate who is engaging in party-building activities, without the payment being considered a contribution to the candidate, and without the unreimbursed expense being considered an expenditure counting against the limitation as long as the event is a bona fide party event or appearance; and no aspect of the solicitation for the event, the setting of the event, and the remarks or activities of the candidate in connection with the event were for the purpose of influencing the candidate's nomination for election.

Section 110.8(e)(2)(ii) of Title 11 of the Code of Federal Regulations states that an event or appearance occurring on or after January 1 of the year of the election for which the individual is a candidate is presumptively for the purpose of influencing the candidate's election, and any contributions or expenditures are governed by the contribution and expenditure limitation.

Section 100.7(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that the term contribution includes the following payments, services or other

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of ineligibility.

things of value: a gift, subscription, loan advance or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office. Section 100.7(a)(1)(iii)(A) of Title 11 of the Code of Federal Regulations states that for purposes of 11 CFR 100.7(a)(1), the term anything of value includes all in-kind contributions. Unless specifically exempted under 11 CFR 100.7(b), the provision of any goods or services is a contribution.

The Primary Committee made payments to the Sheraton New York Hotel & Towers (the Sheraton) totaling \$252,555. One of the payments was a wire transfer on January 4, 1996 in amount of \$134,739, which appeared to represent a deposit. In addition, the Primary Committee received and paid an estimated bill for an event in the amount of \$117,816.

In response to the Audit staff's inquiry, the Primary Committee provided the following chronology regarding the payments made to the Sheraton. The payment of \$134,739 pertained to an event scheduled to occur in January, 1996. This event was subsequently canceled. The Sheraton sent the Primary Committee a refund of \$103,260;<sup>40</sup> a cancellation fee of \$31,479 was charged. This event was then rescheduled to February 15, 1996. On February 8, 1996, a \$117,816 payment was made to the Sheraton for the February 15, 1996 event. Finally, the Primary Committee stated the DNC invited some of its donors to the event, and based on the number of DNC attendees and the expenses incurred by DNC staff, the DNC paid \$19,832. The Primary Committee provided a copy of an invoice issued by the Sheraton to the Primary Committee, dated March 8, 1996, in the amount of \$142,322 plus a copy of an estimated bill issued by the Sheraton to the DNC for \$19,832.

Costs itemized on the DNC's estimated bill were: dinner (\$13,200), floral (\$446), linen (\$185), stanchions, ropes, pipe and drape, (\$220), Clinton-Gore/DNC office rental (\$610), Clinton-Gore/DNC office phone/fax/printer (\$671), and sleeping rooms (\$4,500). Comparison of the charges listed on the Primary Committee's invoice versus the charges listed on the estimated DNC bill revealed that except for dinners (\$13,200) floral (\$446) and linen (\$185), the remaining categories of itemized charges on the DNC's estimated bill do not appear on the Primary Committee's invoice — the Primary Committee's invoice apparently represents all the categories or types of charges billed by the Sheraton directly related to the event. The expenses representing the difference, \$6,001 (\$19,832 - 13,831) appear to be related to the event, even though not included on the Sheraton's March 8, 1996 invoice. Consequently, absent additional documentation, the Audit staff could not determine how, or if, expenses totaling \$10,675,<sup>41</sup> as reflected on the Sheraton's invoice issued to the Primary Committee were paid.

<sup>40</sup> A copy of the refund check was provided.

<sup>41</sup> Apparent total cost of event, \$142,322 less \$117,816 paid by the Primary Committee, less \$13,831 paid by the DNC.

Based on the information available as of the close of audit fieldwork, the cost of the event appeared to be a qualified campaign expense; the Sheraton invoice referenced a "Clinton/Gore '96 Reception/Dinner." Further, this event did not appear to represent a joint fundraising effort in which the DNC was a participant. Absent documentation demonstrating that the expenses paid by the DNC were expenses NOT in connection with the candidate's campaign for nomination, the Audit staff viewed the amount paid by the DNC as an in-kind contribution. Further, the value of the apparent in-kind contribution (\$19,832) was added to the amount of expenditures subject to the overall limitation.

It was recommended in the Memorandum, that the Primary Committee provide:

- a) The final invoice issued by the Sheraton to the DNC;
- b) an explanation as to the method used to "allocate" the costs of the event between the Primary Committee and the DNC, along with documentation to support that "allocation" ratio used;
- c) documentation, in the form of canceled check(s) that demonstrates the \$10,675 in event expenses were paid;
- d) documentation to show how the expenses paid by the DNC are expenses not in connection with the candidate's campaign for nomination, and thus not an in-kind contribution to the Primary Committee.

In response to the Memorandum, the Primary Committee provided invoices and documentation which demonstrated that all expenses relating to the event were paid. Although the estimated bill for the DNC was \$19,832, the actual amount paid by the DNC was \$24,926 (catering and room charges). In addition, the Primary Committee provided documentation which explained the method used to "allocate" the cost between the Primary Committee and the DNC. The DNC paid 11% of the cost which it considered as its share for the 165 guests invited by the DNC.

According to the Primary Committee, the primary purpose of this event was to garner support for the Clinton/Gore '96 presidential ticket and to bring attention to the candidates and their agenda in the state of New York. This was not a fundraising event for the Primary Committee. The DNC, however, was conducting fundraising in New York at the time of the event, and when it learned that the President and Vice President would be appearing, asked the Primary Committee to allow the DNC to invite a small number of potential contributors to the event (emphasis added).

The Primary Committee also submitted an affidavit from Joseph Sandler, who at the time of the event was General Counsel at the DNC. Mr. Sandler stated the DNC was raising money in New York during the same time period as the event, and when the DNC heard that the President and Vice President were attending this dinner the

DNC invited its own guests. It should be noted that Mr. Sandler makes no reference in his affidavit that the DNC guests were potential contributors. No documentation has been made available that demonstrated the DNC guests received any solicitation as a result of attending this event.

Based on our review of all the information available, it appears that the DNC was conducting fundraising in New York and did invite certain individuals to attend the Primary Committee event. These individuals were among the 1,544 guests attending this event, an event that by the Primary Committee's own admission, "was to garner support for the Clinton/Gore '96 presidential ticket." The cost of this primary campaign event may not be apportioned to the DNC or any other political committee without an in-kind contribution resulting.<sup>42</sup>

Accordingly, the DNC made and the Primary Committee received an excessive in-kind contribution from the DNC. Further, the value of the in-kind contribution (\$24,926) is included in the amount of expenditures subject to the overall limitation.

#### D. EXPENDITURE LIMITATION

Sections 441a(b)(1)(A) and (c) of Title 2 of the United States Code state, in part, that no candidate for the office of President of the United States who is eligible under section 9033 to receive payments from the Secretary of the Treasury may make expenditures in excess of \$10,000,000 in the campaign for nomination for election to such office as adjusted by the Consumer Price Index published each year by the Bureau of Labor Statistics of the Department of Labor.

Section 9035(a) of Title 26 of the Internal Revenue Code states, in part, that no candidate shall knowingly incur qualified campaign expenses in excess of the expenditure limitation applicable under section 441a (b)(1)(A) of Title 2.

Section 9032.9(a) of Title 11 of the Code of Federal Regulations states, in part, that a qualified campaign expense is one incurred by or on behalf of the candidate from the date the individual became a candidate through the last day of the candidate's eligibility; made in connection with his campaign for nomination; and neither the incurrence nor the payment of which constitutes a violation of any law of the United States or the State in which the expense is incurred or paid.

Sections 9033.11(a) and (b)(2)(A) of Title 11 of the Code of Federal Regulations state, in part, that each candidate shall have the burden of proving that

<sup>42</sup> A political party may reimburse the expenses of a candidate who is engaging in party building activities without the payment being considered a contribution to the candidate, and without the unreimbursed expense being considered an expenditure counting against the limitation as long as the event is a bona fide party event or appearance and no aspect of the solicitation for the event were for the purpose of influencing the candidate's nomination or election.

disbursements made by the candidate or his authorized committee are qualified campaign expenses as defined in 11 CFR 9032.9. For disbursements in excess of \$200 to a payee, the candidate shall present a canceled check negotiated by the payee and either a bill, an invoice or voucher from the payee stating the purpose of the disbursement.

Sections 9034.4(e)(5) of Title 26 of the Code of Federal Regulations states, in relevant part, that the production costs for media communications that are broadcast both before and after the date of the candidate's nomination shall be attributed 50% to the primary limitation and 50% to the general election limitation.

Sections 9038.2(b)(2)(i)(A) and (ii)(A) of Title 11 of the Code of Federal Regulations state, in part, that the Commission may determine that amount(s) of any payments made to a candidate from the matching payment account were used for the purposes other than to defray qualified campaign expenses. Further, an example of a Commission repayment determination under paragraph (b)(2) includes determinations that a candidate, a candidate's authorized committee(s) or agents have made expenditures in excess of the limitations set forth in 11 CFR 9035.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states, in part, that the amount of any repayment under this section shall bear the same ratio to the total amount determined to have been used for non qualified campaign expenses as the amount of matching funds certified to the candidate bears to the candidate's total deposits, as of 90 days after the candidate's date of ineligibility.

The expenditure limitation for the 1996 Primary election for nomination for the office of President of the United States was \$30,910,000.

From its inception through December 31, 1997 the Primary Committee reported net operating expenditures (subject to the limitation) of \$30,727,701.

Our analysis of expenditures subject to the limit indicated, based on information made available during fieldwork, that the limitation had been exceeded by \$46,348,005.

Certain adjustments made by the Audit staff to reported expenditures subject to the limitation are detailed below.

1. Additional Expenditures Considered Exempt Legal and Accounting

Based on our review of the Primary Committee's expense printouts and work sheets, it was determined that there were additional expenses, not claimed by the Primary Committee, that were entitled to the compliance exemption. The amount calculated by the Audit staff was \$363,668. This amount is a reduction to expenditures subject to the limit pending amendments to be filed by the Primary Committee.

In response to the Memorandum, the Primary Committee filed the necessary amendments.

2. Expenses in the Legal and in the Matching Fund Departments Not Considered 100% Exempt Compliance

The Primary Committee allocated as 100% exempt compliance all expenses incurred in the legal and in the matching fund cost group. The Primary Committee did not charge any of these expenses to the expenditure limitation. Legal and accounting expenses incurred solely for the purpose of ensuring compliance with the Federal Election Campaign Act do not count against the overall expenditure limitation. In addition, costs associated with the preparation of matching fund submissions are considered exempt legal and accounting expenses. However, "costs associated with the preparation of matching fund submissions" do not include data entry or batching contributions for deposit. Likewise, the cost of legal services involving the review and enforcement of committee contracts is not viewed as 100% exempt compliance.

The Primary Committee's contributions were processed in its Little Rock, Arkansas headquarters. Contribution processing included not only those activities that related directly to the preparation of matching fund submissions, but also included data entry and batching of contributions for deposit; these functions would have been necessary even if no matching fund submissions were prepared. The Primary Committee's legal department performed duties such as negotiating contracts as well as the collection of rent due from a tenant, both of which are not related solely to ensuring compliance with the Act.

In response to our inquiry concerning the expense allocation for these two cost groups, the Primary Committee stated "[t]he [Primary] Committee has allocated 100% of staff attorney Ken Stern's time to accounting since he primarily provided services not directly related to compliance." In addition, the response stated that "other staff attorneys were assigned to compliance activities with minimal time committed to other services."

With respect to the matching fund cost group, the Primary Committee stated that "all of the costs allocated by the Committee to Department 145 [Matching Fund Department] were related to processing contributions." The Primary Committee submitted a calculation for staff who performed data entry, batch processing and other duties unrelated to matching funds. The Primary Committee identified 17.33% of the duties performed by Matching Fund Department staff as related to its accounting functions. It should be noted that expenses properly charged to accounting are allocated 85% exempt compliance and 15% operating expenses chargeable to the overall limitation, whereas expenses properly charged to the matching funds department are allocated 100% compliance and as such are not chargeable to the overall limitation.

Given the above response, the Primary Committee appeared to agree with the Audit staff that some portion of the expenses initially allocated to the legal department and the matching fund department did not qualify as 100% exempt compliance. The Commission's Financial Control and Compliance manual provides that each allocable cost group must be allocated by a single method on a consistent basis. The Primary Committee may not allocate costs within a particular group by different methods, such as allocating the payroll of some individuals by the standard 10 percent method, and other individuals by a committee-developed percentage supported by records indicating the functions and duties of the individuals. However, different cost groups may be allocated by different methods. The method used by the Primary Committee in arriving at the 17.33% figure was not consistent with the guidance provided in the Manual.

In the Audit staff's view, an allocation of 85% exempt compliance and 15% operating with respect to expenses charged to the legal department and the matching fund department is a reasonable and consistent method of allocating the activities in these cost groups. If the expenses at issue were allocated in this manner, an increase of \$395,187 to the overall expenditure limitation would result.

In response to the Memorandum, the Primary Committee stated, that it was its intention to allocate all compliance legal cost to the Legal-compliance cost center and the other expenses to Legal-other. The Primary Committee continued that the Committee's General Counsel and Chief Counsel would provide the compliance services since that was their primary area of expertise and paid outside counsel would primarily handle non-compliance matters. The Primary Committee stated further that the auditors questioned whether Ken Stern, who was Deputy General Counsel and on the Committee's payroll, would be treated as 100% compliance since he performed other tasks that may not have been compliance related. The Primary Committee suggested that Mr. Stern's payroll and overhead be treated as subject to the limit, except for the 5% national compliance exemption. It is the position of the Primary Committee that all other expenses initially charged to the Legal-compliance cost center should be treated as 100% exempt.

The Audit staff did not single out Mr. Stern for performing tasks that were not compliance related. The Audit staff did note that the Primary Committee's General Counsel was involved in contract negotiations and an Associate Counsel collected rent, and that such functions were not considered exempt compliance activities. However, in addition to the above, it is obvious that Mr. Stern's salary and associated overhead could not be considered 100% exempt compliance. Further, according to the Primary Committee other staff attorneys allocated minimal time to other than compliance services.

As demonstrated above, the individuals whose expenses were charged to the legal department were performing duties which are not considered 100% exempt compliance. Therefore, the proposed reclassification of only Mr. Stern's salary and associated overhead from the amount originally charged to the Legal-compliance cost center, as suggested by the Primary Committee, does not alter the Audit staff's opinion

that all legal expenses as originally classified should be allocated at a ratio of 85% compliance 15% operating.

With respect to the Matching Fund Department, the Primary Committee stated that it followed the auditors' guidance in the Manual by establishing separate accounting and matching fund cost centers which reasonably and accurately reflect the division of duties. The Primary Committee continued that because there were some functions in the contribution processing office that the FEC does not treat as 100% compliance, the Primary Committee did not allocate that portion of those activities to the matching fund cost center. Instead those costs were allocated to the accounting cost center and the numbers on the FEC reports originally filed included this allocation. Finally, the Primary Committee stated that it provided calculations showing the reasonable accounting between cost centers.

The Primary Committee provided workpapers with detailed monthly/quarterly amounts of payroll and overhead costs associated with contribution processing that it allocated to the matching fund and to the accounting cost centers.<sup>43</sup> For example, for the period of April through June, 1995 the Primary Committee identified 82.67% of the cost of contribution processing as allocable to the matching fund cost center and 17.33% as allocable to the accounting cost center.

In addition to applying this percentage to costs associated with contribution processing, the Primary Committee applied this same percentage (17.33%) to payroll and overhead expenses associated with two other employees, computers, cost of software and computer services, and, to the cost of overhead associated with the matching fund offices and charged that amount to the accounting cost center with the remainder (82.67%) charged to the matching fund cost center. It is not clear from the workpapers provided how this allocation is related to these costs. The Audit staff contacted the Primary Committee chief accountant in an attempt to obtain an explanation with respect to the Primary Committee's methodology used to calculate its allocation percentages and to obtain documentation to support such calculations. On at least 3 occasions the chief accountant stated she had requested copies of work papers (from the Washington DC office) containing the calculations and once in her possession she would contact the Audit Division. No such contact was made.

As previously stated, the cost associated with the preparation of matching fund submissions shall not include costs of general contribution processing such as data entry and batching contributions for deposit. (Compliance Manual at page 30). The Primary Committee's proposal did not include (1) any detailed information concerning the duties performed by individuals assigned to the matching funds department, or (2) any justification for the percentages identified for other categories of expenses which the Primary Committee now considers not exclusively related to the

<sup>43</sup> The percentage of payroll related to contribution processing allocated to the accounting cost center varied with each reporting period.

preparation of matching fund submissions. It is the Audit staff's opinion that an 85% exempt, 15% operating allocation for the matching fund cost center remains a consistent and reasonable method to allocate such costs. Accordingly, an adjustment of \$395,187 to expenditures subject to the overall limit has been included, rather than the proposed adjustment of \$117,817 suggested by the Primary Committee in its response.

3. Refunds and Rebates Incorrectly Offset Against the Expenditure Limitation

The Committee allocated costs associated with its headquarter departments either 100%, 85% or 5% to exempt legal and accounting and the remainder was allocated to operating expenditures. Therefore to insure the accuracy of the calculation of expenditures subject to the limit, if an asset or service when purchased or provided was allocated 85% to exempt legal and accounting and 15% to operating, the proceeds from the sale of that asset or a refund related to that service should be credited 85% exempt legal and accounting and the remaining 15% to operating. During our review of refunds and rebates received by the Primary Committee, it was determined that certain amounts were offset incorrectly at 100% (instead of 85% or 5%) against the overall expenditure limitation. The correct allocation of refunds and rebates will add \$170,857 to the overall expenditure limitation.

In response to the Memorandum, the Primary Committee indicated that the correct amount of refunds and rebates that should be added to the overall expenditure limitation is \$168,445. The Primary Committee stated that among the refunds reallocated by the auditors was \$379,705 for the sale of assets, of which \$60,601 was added to the overall expenditure limit by calculating 85% of the legal and accounting assets' value and 5% of the other assets' value involved in the sale. According to the Primary Committee the assets sold were valued at \$370,816. Of that amount, the Primary Committee states that assets sold from the accounting department should decrease the limit by 15%, those assets sold from the legal and from the matching fund cost center should not decrease the overall expenditure limit, while the assets sold from the other cost centers should decrease the expenditure limit 5%. An upward adjustment of \$58,186 to the overall expenditure limit relative to this sale of assets is warranted rather than the \$60,601 calculated by the auditors. The figure proposed by the Primary Committee is incorrect since it was calculated by using certain offset amounts related to the sale of assets which the Primary Committee incorrectly classified as 100% compliance rather than the proper allocation of 85% compliance used by the Audit staff for the legal and the matching fund cost centers.

Notwithstanding the above, an additional calculation is necessary to arrive at the correct amount of the adjustment to the overall expenditure limit. The General Committee purchased assets from the Primary Committee for \$370,816 and the GELAC purchased assets from the DC office for \$8,889. In addition, assets from the matching fund department were sold to the GELAC for \$55,180. The Primary Committee did not include in its adjustment (\$168,445) to the overall expenditure

limitation matching fund department assets purchased by the GELAC. However, it is the Audit staff's position that expenses charged to the matching fund department should be considered 85% exempt compliance, and 15% operating (chargeable to the overall expenditure limit), thus an additional downward adjustment of \$8,277 ( $\$55,180 \times .15$ ) to the expenditure limitation is necessary.

Based on the above, the Audit staff included an adjustment of \$162,850 ( $\$170,857 - \$8,277$ ) in our analysis of the overall expenditure limitation (see footnote D).

4. Amounts Due the General Committee and the GELAC

a. Salary and Overhead

The GELAC paid the Primary Committee \$151,757 for salary and overhead of Primary Committee staff who worked on GELAC activities prior to the Candidate's date of ineligibility. Our review revealed that only certain persons paid by the Primary Committee worked 100% on GELAC activities for their entire period of employment prior to the Candidate's date of ineligibility. For those persons who did not work exclusively on GELAC activities for their entire pre-DOI period of employment no reimbursement from GELAC is warranted according to the regulations at 11 CFR §9034.4(e). Expenses for salary and overhead that were allocated between the Primary Committee and the GELAC but were not exclusively general election in nature are considered primary expenses. Based on our review of GELAC documentation, we determined that \$62,879 in salary and overhead expenses were associated with staff working exclusively on GELAC activities for their entire pre-DOI period of employment. Accordingly, the Primary Committee should have returned to the GELAC \$88,878 ( $\$151,757 - \$62,879$ ). Of this amount (\$88,878) only \$23,033 was applied by the Primary Committee as an offset to expenditures subject to the limitation. Therefore, the Audit staff has added \$23,033 to the overall expenditure limitation.

In its response to the Memorandum, the Primary Committee disagreed that the bright line test was intended to apply to GELAC fundraising. According to the Primary Committee, the regulations under 11 CFR §9003.3(a)(1)(i) specifically authorize the establishment of a GELAC committee prior to the candidate's nomination and specifically require the payment of GELAC fundraising expenses for GELAC funds raised. Finally, the Primary Committee stated that if the bright line test were applied to GELAC operations, it could result in the Primary Committee paying all of the costs for raising GELAC funds. It is the Primary Committee's position that it does not owe the GELAC a reimbursement and no addition to the overall expenditure limitation is warranted.

It remains our opinion that only salary and overhead expenses for campaign staff who worked exclusively on GELAC activities for their entire

period of employment prior to the date of nomination could be reimbursed by GELAC. Further, the regulations at 11 CFR §9034.4 (e) encompassed all expenditures, including operating, fundraising and winddown. Therefore, the Primary Committee should return to the GELAC \$88,878, of that amount \$23,033 has been added to expenditures subject to the overall limitation.

b. Sublease Payments

The Primary Committee paid rent to 1100 21st Association Ltd. Partnership for the months of July and August. The General Committee paid rent for office space for the remaining months of September through November. During the lease period the Primary Committee subleased a portion of its office space to the firm Dickstein, Shapiro, Morin & Oshinsky LLP (DS). The sublease rent payments, totaling \$76,716, were deposited into the Primary Committee's account and subsequently offset against expenditures subject to the limitation. The Audit staff calculated that the Primary Committee owes the General Committee \$39,451.<sup>44</sup> The Primary Committee in its response calculated that the Primary Committee owed the General Committee \$43,005. However, the Primary Committee did not consider in its calculation rent that the General Committee should have paid for August 29 - 31. This will add \$39,451 to the overall expenditure limitation.

In response to the Memorandum, the Primary Committee stated that it does not dispute this calculation and agrees to pay the General Committee \$39,451. In addition, the Primary Committee does not dispute that this will add \$39,451 to the overall expenditure limitation. However, to date the Primary Committee has not provided evidence that the payment has been made to the General Committee.

Shown below is the calculation of the expenditures subject to the limit:

<sup>44</sup> This amount was derived by pro rating \$14,033 for three days in August, 1996 plus \$14,033 each for September, October, and November less the amount of rent (\$4,007) paid by the Primary Committee which should have been paid by the General Committee for the period 8/29/96-8/31/96.

CLINTON/GORE '96 PRIMARY COMMITTEE, INC.  
ANALYSIS OF EXPENDITURES SUBJECT TO LIMITATION

|   |                   |
|---|-------------------|
| AMOUNT REPORTED BY THE PRIMARY COMMITTEE<br>AT DECEMBER 31, 1997                                | \$30,727,701      |
| LESS:   |                   |
| ADDITIONAL HEADQUARTER DEPARTMENTS AND EXPENDITURES<br>CONSIDERED EXEMPT LEGAL AND ACCOUNTING   | 363,668 A/        |
| SUBTOTAL  | <u>30,364,033</u> |
| ADD:  |                   |
| DEBTS OWED BY THE PRIMARY COMMITTEE AT DECEMBER 31, 1997  | 104,759 B/        |
| 15% FOR LEGAL DEPARTMENT AND MATCHING FUND DEPARTMENT<br>NOT CONSIDERED 100% EXEMPT COMPLIANCE  | 395,187 C/        |
| REFUNDS, REBATES AND THE SALE OF ASSETS<br>INCORRECTLY OFFSET AGAINST THE LIMIT                 | 162,850 D/        |
| PAYABLE TO CLINTON/GORE '96 GENERAL ELECTION COMPLIANCE<br>FUND FOR SALARY AND OVERHEAD PRE DOI | 23,933 E/         |
| DUE TO CLINTON/GORE '96 GENERAL COMMITTEE   | 51,878 F/         |
| CONVENTION TRAVEL   | 12,427            |
| SUBLEASE PAYMENTS   | 39,451            |
| IN-KIND CONTRIBUTION FOR EVENT COSTS  | <u>24,926 G/</u>  |
| SUBTOTAL  | \$31,126,666      |

LESS:

|  |                   |
|--|-------------------|
| DEBTS OWED TO THE COMMITTEE AT DECEMBER 31, 1997                       | 361,860 W/        |
| AMOUNT DUE FROM CLINTON/GORE '96 GENERAL COMMITTEE                     | 87,159 W/         |
| BISMARK ENTERPRISES  | 22,984            |
| AT & T PHONE LEASE   | 63,736            |
| GTE  | 439               |
| SUBTOTAL   | <u>30,677,647</u> |
| ADD: DNC MEDIA EXPENSES  | 46,580,358        |
| EXPENDITURES SUBJECT TO PRIMARY SPENDING LIMITATION                    | 77,258,005        |
| LESS: PRIMARY EXPENDITURE LIMITATION                                   | 30,910,000        |
| EXPENDITURES IN EXCESS OF PRIMARY SPENDING LIMITATION                  | 46,348,005        |
| LESS OUTSTANDING PAYABLES  | <u>100,795 J/</u> |
| EXPENDITURES IN EXCESS OF THE SPENDING LIMITATION SUBJECT TO REPAYMENT | <u>46,247,210</u> |

## FOOTNOTES

- A. This amount represents costs that are considered exempt legal and accounting expenses. See Finding III.D.1.
- B. Debts owed by the Primary Committee as reported in its December 31, 1997 Disclosure Reports Schedule D.
- C. This amount represents 15% of the legal department and the matching fund department expenses that, based on a review of salary and overhead, were misclassified. See Finding III.D.2.
- D. This amount is for refunds, rebates and the sale of assets that were offset 100% against the limit by the Primary Committee. However, the documentation indicated that only a portion of the refund (15% or 95%) should have been offset against the expenditure limit. See Finding III.D.3.
- E. This amount represents the amount of a GELAC reimbursement for pre date of eligibility salary and overhead expenses incorrectly offset against the limit, the balance of the reimbursement was offset against exempt legal and accounting expenses. See Finding III.D.4.a.
- F. This represents travel from the Democratic National Convention paid by the General Committee (see Audit Report on the General Committee, Finding III.B.1.) and sublease payments (see Finding III.D.4.b).
- G. This represents an apparent in-kind contribution by the DNC for event expenses. See Finding III.C.
- H. A refund from the November 5 Group is due the Primary Committee. According to the Primary Committee's 1<sup>st</sup> and 2<sup>nd</sup> quarter 1998 disclosure report, it has received \$201,366 of the refund due from the November 5 Group.
- I. The amount due from the General Committee for Bismarck Enterprises and AT&T are amounts paid by the Primary Committee but should have been paid by the General Committee. See Finding III.B.1.a. and b. The GTE amount of \$439 is a Primary refund that was mistakenly deposited into the General Committee's bank account.
- J. Debts owed by the Primary Committee as reported in its December 31, 1997 Disclosure Reports Schedule D less \$3,964 paid during 1998.

As depicted in the chart above, the Audit staff identified \$77,258,005 in expenditures chargeable to the overall expenditure limitation. The Primary Committee in its response contended that it was \$435,188 under the overall expenditure limit. Our review of the Primary Committee's disclosure reports as amended through June 30, 1998 reflected expenditures chargeable to the overall limit of \$30,330,410 — an amount equal to \$579,590 under the overall spending limit. The Audit staff's inclusion of media expenses paid by the DNC as an in-kind contribution as discussed in Finding III.A. and the necessary adjustments/additions discussed at Findings III.B and C. caused the limit to be exceeded by \$46,348,005. After adjustments to calculate the amount paid in excess of the limit, \$46,247,210 is subject to a pro rata repayment to the United States Treasury.

#### **Recommendation #6**

The Audit staff recommends the Commission determine that \$6,966,217<sup>45</sup> (\$46,247,210 x .150630) is repayable to the United States Treasury pursuant to 11 CFR §9038.2(b)(2)(ii)(A).

Should the Commission's analysis of the facts, interpretation of applicable law, and conclusions be different from that presented above, the amount to be added to Primary Committee's spending limitation and the amount to be repaid to the U.S. Treasury could be changed or eliminated.

#### **E. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS**

Section 9034.5 (a) of Title 11 of the Code of Federal Regulations requires that within 15 calendar days after the candidate's date of ineligibility, the candidate shall submit a statement of net outstanding campaign obligations which reflects the total of all net outstanding obligations for qualified campaign expenses plus estimated necessary winding down costs.

In addition, Section 9034.1 (b) of Title 11 of the Code of Federal Regulations states, in part, that if on the date of ineligibility a candidate has net outstanding campaign obligations as defined under 11 CFR §9034.5, that candidate may continue to receive matching payments provided that on the date of payment there are remaining net outstanding campaign obligations.

President Clinton's date of ineligibility was August 28, 1996. The Audit staff reviewed the Committee's financial activity through December 31, 1997, analyzed winding down costs, and prepared the Statement of Net Outstanding Campaign Obligations.

<sup>45</sup> This amount may require a downward adjustment pending final resolution of the repayment matters noted at Finding III.B.

It should be noted that the Primary Committee submitted with its response to the Memorandum its version of the Statement of Net Outstanding Campaign Obligations. There were several differences between the Audit prepared statement and the one prepared by the Primary Committee. According to the Primary Committee, the deficit as of August 29, 1998 was \$1,071,056, whereas, the deficit calculated by the Audit staff as of August 28, 1998 was \$895,646 a difference of approximately \$175,000. However, the Primary Committee did not provide worksheets, schedules or other documentation to support the derivation of its numbers.

The Audit staff's prepared Statement of Net Outstanding Campaign Obligations appears below. Based on our analysis, the Primary Committee did not receive matching funds in excess of its entitlement.

CLINTON/GORE '96 PRIMARY COMMITTEE, INC.  
 STATEMENT OF NET OUTSTANDING CAMPAIGN OBLIGATIONS  
 as of August 28, 1996  
 as determined through December 31, 1997

## ASSETS

|  |              |     |               |
|--|--------------|-----|---------------|
| Cash in Bank                             | \$ 3,389,406 | (1) |               |
| Cash on Hand                             | 292          |     |               |
| Investments in U.S. Treasury Notes/Bonds | 2,146,940    |     |               |
| Accounts Receivable:                     |              |     |               |
| Accrued Interest                         | 9,171        | (2) |               |
| Vendor Deposits                          | 54,933       | (3) |               |
| Due from GELAC                           | 151,757      | (4) |               |
| Clinton/Gore '96 General Committee       | 87,159       | (5) |               |
| Vendor Refunds                           | 385,568      | (6) |               |
| Capital Assets                           | 497,427      | (7) |               |
| <br>Total Assets                         |              |     | <br>6,722,653 |

## OBLIGATIONS

|  |           |      |                      |
|--|-----------|------|----------------------|
| Accounts Payable for Qualified Campaign Expenses                       | 4,338,553 | (8)  |                      |
| Refunds of Contributions   | 7,275     | (9)  |                      |
| Federal Income Tax   | 165,480   | (10) |                      |
| Amount Due GELAC   | 88,878    | (11) |                      |
| Amount Due General Committee   | 12,427    | (12) |                      |
| Amount Due U.S. Treasury - Stale-dated Checks                          | 12,230    | (13) |                      |
| Actual Winding Down Expenses<br>December 6, 1996 - December 31, 1997   | 1,822,556 |      |                      |
| Estimated Winding Down Expenses<br>January 1, 1998 - December 31, 1999 | 1,170,900 | (14) |                      |
| <br>Total Obligations  |           |      | <br><u>7,618,299</u> |
| Net Outstanding Campaign Obligations (Deficit)                         |           |      | <u>(895,646)</u>     |

## FOOTNOTES TO NOCO STATEMENT

- (1) Audited Bank Reconciliation at 8/28/96 which includes stale-dated checks dated on or before date of ineligibility added back to cash in bank.
- (2) Accrued interest income 7/25/96 - 8/28/96.
- (3) This amount represents vendor deposits outstanding as of 8/28/96.
- (4) This amount reflects GELAC reimbursements to the Primary Committee for GELAC salaries and overhead expenses initially paid by the Primary Committee on or before 8/28/96. An offset (\$88,878) was calculated by the Audit staff to reflect the expenses of individuals not working exclusively on GELAC matters (see Note 11).
- (5) This amount represents: (a) Primary Committee payment (\$22,984) to Bismarck Enterprises for catering services provided to the General Committee; (b) an amount (\$63,736) paid by the Primary Committee for an AT&T phone lease which should have been paid by the General Committee; (c) a GTE refund (\$439) addressed to the Primary Committee but erroneously deposited by the General Committee.
- (6) Amounts deposited post date of ineligibility for transactions made on or before date of ineligibility plus the reported amount owed to the Primary Committee by one of its media vendors.
- (7) Recognition of gross capital assets including software and licensing fees less depreciation of 40%.
- (8) Reflects actual accounts payable through 12/31/97 absent a reduction to accounts payable for post date of ineligibility stale-dated checks and winding down costs.
- (9) Represents contributions dated 8/28/96 or before and refunded to contributors.
- (10) This amount reflects the tax liability for investment income and interest earned on deposits for the period 1/1/96-8/28/96.
- (11) This offsets the GELAC reimbursement to the Primary Committee at Note 4; the difference of \$62,879 represents the allowable reimbursement by GELAC for staff working 100% on GELAC matters prior to date of ineligibility.
- (12) This amount represents: (a) DNC Convention related travel on TWA paid (\$7,291) by the General Committee; (b) a leg of DNC Convention travel from Chicago to Cape Girardeau, MO relative to the Primary Committee that was paid (\$5,136) by the General Committee (see Audit Report of the General Committee, Finding III.B.1.).
- (13) Primary Committee's outstanding checks to vendors or contributors that have not been cashed.
- (14) This amount is based on the Primary Committee's actual 1997 year-end winding down expenses.

**F. PRIMARY STALE-DATED CHECKS**

Section 9038.6 of Title 11 of the Code of Federal Regulations states that if the committee has checks outstanding to creditors or contributions that have not been cashed, the committee shall notify the Commission. The committee shall inform the Commission of its efforts to locate the payees, if such efforts have been necessary, and its efforts to encourage the payees to cash the outstanding checks. The committee shall also submit a check for the total amount of such outstanding checks, payable to the United States Treasury.

During our review of the Primary Committee's disbursement activity, the Audit staff identified 97 stale-dated checks totaling \$38,164 dated between April 27, 1995 and December 16, 1997. The Audit staff provided a schedule of the stale-dated check to the Primary Committee on Thursday, March 19, 1998.

In the Exit Conference Memorandum, the Audit staff recommended that the Primary Committee present evidence that the checks were not outstanding (i.e., copies of the front and back of the negotiated checks), or that the outstanding checks were voided and/or that no Primary Committee obligation exists.

In response to the Memorandum, the Primary Committee provided evidence that checks, totaling \$25,934, had been voided, reissued and cleared the bank (\$20,044); had cleared the bank subsequent to the end of fieldwork (\$2,890); had been originally issued in error (\$1,000); and, had been voided and a check reissued to the U.S. Treasury (\$2,000).

Documentation was also made available with respect to action taken on the remaining stale-dated checks, totaling \$12,230, however, evidence of final disposition has not been made available.

Based on the above, the Audit staff reduced the amount of unresolved stale-dated checks to \$12,230.

**Recommendation #7**

The Audit staff recommends that the Commission make a determination that the Primary Committee is required to make a payment of \$12,230 to the United States Treasury.

Should the Commission's analysis of the facts, interpretation of applicable law, and conclusions be different than that presented above, the amount due to the U.S. Treasury would be changed or eliminated.

G. Recap of Amounts Due to the U.S. Treasury

Shown below is a recap of amounts due the U.S. Treasury as discussed in this report.

|  |                                 |
|--|---------------------------------|
| Non-qualified Campaign Expenses<br>(Finding III.B.)                  | \$ 54,578                       |
| Expenditures in Excess of the Overall Limitation<br>(Finding III.D.) | 6,966,217                       |
| Stale Dated Checks (Finding III.F.)                                  | <u>12,230</u>                   |
| Total  | <u>\$7,033,025<sup>46</sup></u> |

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<sup>46</sup> Should the Commission's analysis of the facts, interpretation of applicable law, and conclusions be different than that presented above, the amount due to the U.S. Treasury would be changed or eliminated.

DNC AND PRIMARY COMMITTEE ADS HAVING SAME AUDIO AND VIDEO  
CONTENT

[NOTE: NON-ITALIC IS VOICE-OVER]

P11 REAL TICKET CG13-30  
D795 DOLE/GINGRICH DNC1228-30

THE OVAL OFFICE IF IT WERE BOB DOLE SITTING HERE HE WOULD HAVE ALREADY  
CUT MEDICARE 270,000,000,000 DOLLARS TOXIC POLLUTERS OFF THE HOOK NO  
TO THE BRADY BILL 60,000 CRIMINALS ALLOWED TO BUY HANDGUNS AND SLASHED  
EDUCATION PRESIDENT CLINTON STOOD FIRM AND DEFENDED OUR VALUES BUT  
NEXT YEAR IF NEWT GINGRICH CONTROLS CONGRESS AND HIS PARTNER BOB DOLE  
ENTERS THE OVAL OFFICE THERE WILL BE NOBODY THERE TO STOP THEM

P12 NOBODY CG14-30  
D796 THEM DNC1229-30

THE OVAL OFFICE IF DOLE SITS HERE AND GINGRICH RUNS CONGRESS WHAT  
COULD HAPPEN MEDICARE SLASHED WOMEN'S RIGHT TO CHOOSE GONE EDUCATION  
SCHOOL DRUG PROGRAMS CUT AND A RISKY 550,000,000,000 DOLLAR PLAN  
BALLOONS THE DEFICIT RAISES INTEREST RATES HURTS THE ECONOMY PRESIDENT  
CLINTON SAYS BALANCE THE BUDGET CUT TAXES FOR FAMILIES COLLEGE TUITION  
STANDS UP TO DOLE AND GINGRICH BUT IF DOLE WINS AND GINGRICH RUNS  
CONGRESS THERE WILL BE NOBODY THERE TO STOP THEM

P13 BACK<sup>1</sup> CG09-30  
D794 SCHEME DNC1227-30

AMERICA'S ECONOMY IS COMING BACK 10,000,000 NEW JOBS WE MAKE MORE  
AUTOS THAN JAPAN HIGHER MINIMUM WAGE NOW BOB DOLE ENDANGERS IT ALL  
WITH A RISKY LAST MINUTE SCHEME THAT WOULD BALLOON THE DEFICIT HIGHER  
INTEREST RATES HURT FAMILIES PRESIDENT CLINTON'S PLAN TAX CUTS FOR  
FAMILIES COLLEGE TUITION TAX CREDITS HEALTH INSURANCE YOU DON'T LOSE  
CHANGING JOBS WELFARE REFORM GROWTH PRESIDENT CLINTON MEETING OUR  
CHALLENGES BOB DOLE GAMBLING WITH OUR FUTURE

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<sup>1</sup> A Primary Committee ad entitled GAMBLE is nearly identical to BACK and SCHEME, the differences are: raise interest rates instead of higher interest rates; harm the economy instead of hurt families.



DNC ADS - CLINTON'S POSITIONS VS DOLE'S POSITIONS  
[NOTE: DOLE SPEAKING IN ITALICS, NON-ITALIC IS VOICE-OVER]

D303 NO DNC550-30

*WE SENT HIM THE FIRST BALANCED BUDGET IN A GENERATION AND HE VETOED IT  
WE'RE GOING TO VETO BILL CLINTON* THE FACTS THE PRESIDENT PROPOSES A  
BALANCED BUDGET PROTECTING MEDICARE EDUCATION THE ENVIRONMENT BUT DOLE  
IS VOTING NO THE PRESIDENT CUTS TAXES FOR 40,000,000 AMERICANS DOLE  
VOTES NO THE PRESIDENT BANS ASSAULT WEAPONS DEMANDS WORK FOR WELFARE  
WHILE PROTECTING KIDS DOLE SAYS NO TO THE CLINTON PLANS IT'S TIME TO  
SAY YES TO THE CLINTON PLANS YES TO AMERICA'S FAMILIES

D324 PROOF DNC580-30

*WE SENT HIM THE FIRST BALANCED BUDGET IN A GENERATION AND HE VETOED IT  
WE'RE GOING TO VETO BILL CLINTON* THE FACTS THE PRESIDENT PROPOSES A  
BALANCED BUDGET PROTECTING MEDICARE EDUCATION THE ENVIRONMENT BUT DOLE  
IS VOTING NO THE PRESIDENT CUTS TAXES FOR 40,000,000 AMERICANS DOLE  
VOTES NO THE PRESIDENT BANS ASSAULT WEAPONS DEMANDS WORK FOR WELFARE  
WHILE PROTECTING KIDS DOLE SAYS NO TO THE CLINTON PLANS IT'S TIME TO  
SAY YES TO THE CLINTON PLANS YES TO AMERICA'S FAMILIES

D346 FACTS DNC602-30

*WE SENT HIM THE FIRST BALANCED BUDGET IN A GENERATION AND HE VETOED IT  
WE'RE GOING TO VETO BILL CLINTON* THE FACTS THE PRESIDENT PROPOSES A  
BALANCED BUDGET PROTECTING MEDICARE EDUCATION THE ENVIRONMENT BUT DOLE  
IS VOTING NO THE PRESIDENT CUTS TAXES FOR 40,000,000 AMERICANS DOLE  
VOTES NO THE PRESIDENT DEMANDS WORK FOR WELFARE  
WHILE PROTECTING KIDS DOLE SAYS NO TO THE CLINTON PLAN IT'S TIME TO  
SAY YES TO THE CLINTON PLAN YES TO OUR FAMILIES AND OUR VALUES

D767 ECONOMY DNC1200-30

REMEMBER RECESSION JOBS LOST THE DOLE GOP BILL TRIES TO DENY NEARLY  
1,000,000 FAMILIES UNEMPLOYMENT BENEFITS HIGHER INTEREST RATES  
10,000,000 UNEMPLOYED WITH A DOLE AMENDMENT REPUBLICANS TRY TO BLOCK  
MORE JOB TRAINING TODAY WE MAKE MORE AUTOS THAN JAPAN RECORD  
CONSTRUCTION JOBS MORTGAGE RATES DOWN 10,000,000 NEW JOBS MORE WOMEN  
OWNED COMPANIES THAN EVER THE PRESIDENT'S PLAN EDUCATION JOB TRAINING  
ECONOMIC GROWTH FOR A BETTER FUTURE

**D797 RISKY DNC1230-30**

BOB DOLE ATTACKING THE PRESIDENT BUT PRESIDENT CLINTON CUT TAXES FOR  
15,000,000 WORKING FAMILIES PROPOSES TAX CREDITS FOR COLLEGE BOB DOLE  
VOTED TO RAISE PAYROLL TAXES SOCIAL SECURITY TAXES THE 90 INCOME TAX  
INCREASE 900,000,000,000 IN HIGHER TAXES HIS RISKY TAX SCHEME TO HELP  
PAY FOR IT EXPERTS SAY DOLE AND GINGRICH WILL HAVE TO CUT MEDICARE  
EDUCATION ENVIRONMENT BOB DOLE RAISING TAXES TRYING TO CUT MEDICARE  
RUNNING FROM HIS RECORD

12 DNC ADS - CLINTON'S POSITIONS VS "DOLE GINGRICH" POSITIONS  
[NOTE: NON-ITALIC IS VOICE-OVER]

D212 TABLE DNC420-30

THE GINGRICH DOLE BUDGET PLAN DOCTORS CHARGING MORE THAN MEDICARE  
ALLOWS HEADSTART SCHOOL ANTI DRUG HELP SLASHED CHILDREN DENIED  
ADEQUATE MEDICAL CARE TOXIC POLLUTERS LET OFF THE HOOK BUT PRESIDENT  
CLINTON HAS PUT A BALANCED BUDGET PLAN ON THE TABLE PROTECTING  
MEDICARE MEDICAID EDUCATION ENVIRONMENT THE PRESIDENT CUTS TAXES AND  
PROTECTS OUR VALUES BUT DOLE AND GINGRICH JUST WALKED AWAY THAT'S  
WRONG THEY MUST AGREE TO BALANCE THE BUDGET WITHOUT HURTING AMERICA'S  
FAMILIES

D348 SUPPORTS DNC610-30

THIS DOLE GINGRICH ATTACK AD HAS THE FACTS ALL WRONG PRESIDENT CLINTON  
SUPPORTS TAX CREDITS FOR FAMILIES WITH CHILDREN BUT WHEN DOLE AND  
GINGRICH INSISTED ON RAISING TAXES ON WORKING FAMILIES HUGE CUTS IN  
MEDICARE EDUCATION CUTS IN TOXIC CLEANUP CLINTON VETOED IT THE  
PRESIDENT'S PLAN PRESERVE MEDICARE DEDUCT COLLEGE TUITION SAVE ANTI  
DRUG PROGRAMS BUT DOLE GINGRICH VOTE NO NO TO AMERICA'S FAMILIES THE  
PRESIDENT'S PLAN MEETING OUR CHALLENGES PROTECTING OUR VALUES

D379 PHOTO DNC641-30

60,000 FELONS AND FUGITIVES TRIED TO BUY HANDGUNS BUT COULDN'T BECAUSE  
PRESIDENT CLINTON PASSED THE BRADY BILL FIVE DAY WAITS BACKGROUND  
CHECKS BUT DOLE AND GINGRICH VOTED NO 100,000 NEW POLICE BECAUSE  
PRESIDENT CLINTON DELIVERED DOLE AND GINGRICH VOTED NO WANT TO REPEAL  
IT STRENGTHEN SCHOOL ANTI DRUG PROGRAMS PRESIDENT CLINTON DID IT DOLE  
AND GINGRICH NO AGAIN THEIR OLD WAYS DON'T WORK PRESIDENT CLINTON'S  
PLANS THE NEW WAY MEETING OUR CHALLENGES PROTECTING OUR VALUES

D404 BACKGROUND DNC680-30

60,000 FELONS AND FUGITIVES TRIED TO BUY HANDGUNS BUT COULDN'T BECAUSE  
PRESIDENT CLINTON PASSED THE BRADY BILL BACKGROUND CHECKS DOLE AND  
GINGRICH VOTED NO AND NOW WANT TO REPEAL THE ASSAULT WEAPONS BAN  
100,000 NEW POLICE PRESIDENT CLINTON DELIVERED DOLE AND GINGRICH VOTED  
NO STRENGTHEN SCHOOL ANTI DRUG PROGRAMS PRESIDENT CLINTON DID IT  
REPUBLICANS PLAN TO CUT HELP TO SCHOOLS OLD WAYS DON'T WORK PRESIDENT  
CLINTON'S PLANS THE NEW WAY MEETING OUR CHALLENGES PROTECTING OUR  
VALUES

D433 FINISH DNC710-30

HEADSTART STUDENT LOANS TOXIC CLEANUP EXTRA POLICE ANTI DRUG PROGRAMS  
DOLE GINGRICH WANTED THEM CUT NOW THEY'RE SAFE PROTECTED IN THE 96  
BUDGET BECAUSE THE PRESIDENT STOOD FIRM DOLE GINGRICH DEADLOCK  
GRIDLOCK SHUT DOWNS THE PRESIDENT'S PLAN FINISH THE JOB BALANCE THE  
BUDGET REFORM WELFARE CUT TAXES PROTECT MEDICARE PRESIDENT CLINTON  
SAYS GET IT DONE MEET OUR CHALLENGES PROTECT OUR VALUES

D458 SAME DNC740-30

AMERICA'S VALUES HEADSTART STUDENT LOANS TOXIC CLEANUP EXTRA POLICE  
PROTECTED IN THE BUDGET AGREEMENT THE PRESIDENT STOOD FIRM DOLE  
GINGRICH'S LATEST PLAN INCLUDES TAX HIKE ON WORKING FAMILIES UP TO  
18,000,000 CHILDREN FACE HEALTHCARE CUTS MEDICARE SLASHED  
167,000,000,000 THEN DOLE RESIGNS LEAVING BEHIND GRIDLOCK HE AND  
GINGRICH CREATED THE PRESIDENT'S PLAN POLITICS MUST WAIT BALANCE THE  
BUDGET REFORM WELFARE PROTECT OUR VALUES

D483 SIDE DNC770-30

AMERICA'S VALUES THE PRESIDENT BANS DEADLY ASSAULT WEAPONS DOLE  
GINGRICH VOTE NO THE PRESIDENT PASSES FAMILY LEAVE DOLE GINGRICH VOTE  
NO THE PRESIDENT STANDS FIRM A BALANCED BUDGET PROTECTS MEDICARE  
DISABLED CHILDREN NO AGAIN NOW DOLE RESIGNS LEAVES GRIDLOCK HE AND  
GINGRICH CREATED THE PRESIDENT'S PLAN BALANCE THE BUDGET PROTECT  
MEDICARE REFORM WELFARE DO OUR DUTY TO OUR PARENTS OUR CHILDREN  
AMERICA'S VALUES

D557 DEFEND DNC950-30

PROTECTING FAMILIES FOR MILLIONS OF WORKING FAMILIES PRESIDENT CLINTON  
CUT TAXES THE DOLE GINGRICH BUDGET TRIED TO RAISE TAXES ON 8,000,000  
THE DOLE GINGRICH BUDGET WOULD HAVE SLASHED MEDICARE 270,000,000,000  
CUT COLLEGE SCHOLARSHIPS THE PRESIDENT DEFENDED OUR VALUES PROTECTED  
MEDICARE AND NOW A TAX CUT OF 1,500 DOLLARS A YEAR FOR THE FIRST TWO  
YEARS OF COLLEGE MOST COMMUNITY COLLEGES FREE HELP ADULTS GO BACK TO  
SCHOOL THE PRESIDENT'S PLAN PROTECTS OUR VALUES

D627 ANOTHER DNC1001-30

ANOTHER NEGATIVE REPUBLICAN AD WRONG PRESIDENT CLINTON INCREASED  
BORDER PATROLS 40 PERCENT TO CATCH ILLEGAL IMMIGRANTS RECORD NUMBER OF  
DEPORTATIONS NO WELFARE FOR ILLEGAL ALIENS REPUBLICANS OPPOSED  
PROTECTING US WORKERS FROM REPLACEMENT BY FOREIGN WORKERS THE DOLE  
GINGRICH BUDGET TRIED TO REPEAL 100,000 NEW POLICE DOLE GINGRICH TRIED  
TO SLASH SCHOOL ANTI DRUG PROGRAMS ONLY PRESIDENT CLINTON'S PLAN  
PROTECTS OUR JOBS OUR VALUES

D592 VALUES DNC1040-30

AMERICAN VALUES DO OUR DUTY TO OUR PARENTS PRESIDENT CLINTON PROTECTS  
MEDICARE THE DOLE GINGRICH BUDGET TRIED TO CUT MEDICARE  
270,000,000,000 PROTECT FAMILIES PRESIDENT CLINTON CUT TAXES FOR  
MILLIONS OF WORKING FAMILIES THE DOLE GINGRICH BUDGET TRIED TO RAISE  
TAXES ON 8,000,000 OF THEM OPPORTUNITY PRESIDENT CLINTON PROPOSES TAX  
BREAKS FOR TUITION THE DOLE GINGRICH BUDGET TRIED TO SLASH COLLEGE  
SCHOLARSHIPS ONLY PRESIDENT CLINTON'S PLAN MEETS OUR CHALLENGES  
PROTECTS OUR VALUES

D697 INCREASED DNC1120-30

ANOTHER NEGATIVE REPUBLICAN AD MISLEADING PRESIDENT CLINTON INCREASED  
BORDER PATROLS 40 PERCENT TO CATCH ILLEGAL IMMIGRANTS RECORD NUMBER OF  
DEPORTATIONS NO WELFARE FOR ILLEGAL ALIENS REPUBLICANS OPPOSED  
PROTECTING US WORKERS FROM REPLACEMENT BY FOREIGN WORKERS THE DOLE  
GINGRICH BUDGET TRIED TO REPEAL 100,000 NEW POLICE DOLE GINGRICH TRIED  
TO SLASH SCHOOL ANTI DRUG PROGRAMS ONLY PRESIDENT CLINTON'S PLAN  
PROTECTS OUR JOBS OUR VALUES

D732 ENOUGH DNC1160-30

ANOTHER NEGATIVE REPUBLICAN AD MISLEADING PRESIDENT CLINTON INCREASED  
BORDER PATROLS 40 PERCENT TO CATCH ILLEGAL IMMIGRANTS RECORD NUMBER OF  
DEPORTATIONS NO WELFARE FOR ILLEGAL ALIENS REPUBLICANS OPPOSED  
PROTECTING US WORKERS FROM REPLACEMENT BY FOREIGN WORKERS THE DOLE  
GINGRICH BUDGET TRIED TO REPEAL 100,000 NEW POLICE DOLE GINGRICH TRIED  
TO SLASH SCHOOL ANTI DRUG PROGRAMS ONLY PRESIDENT CLINTON'S PLAN  
PROTECTS OUR JOBS OUR VALUES

RECEIVED

13 DNC ADS - CLINTON'S POSITIONS VS " THE REPUBLICANS' " POSITIONS  
[NOTE: NON-ITALIC IS VOICE-OVER, BOLD TYPE IS GINGRICH SPEAKING]

D1 PROTECT DNC10-30

MEDICARE LIFELINE FOR OUR ELDERLY THERE IS A WAY TO PROTECT MEDICARE BENEFITS AND BALANCE THE BUDGET PRESIDENT CLINTON WHO CUT GOVERNMENT WASTE REDUCED EXCESS SPENDING SLOWED MEDICAL INFLATION THE REPUBLICANS DISAGREE THEY WANT TO CUT MEDICARE 270 BILLION DOLLARS CHARGING ELDERLY 600 MORE A YEAR FOR MEDICAL CARE 1700 MORE FOR HOME CARE PROTECT MEDICARE BENEFITS OR CUT THEM A DECISION THAT TOUCHES US ALL

D10 MORAL DNC11-30

AS AMERICANS THERE ARE SOME THINGS WE DONE SIMPLY AND SOLELY BECAUSE THEY'RE MORAL RIGHT AND GOOD TREATING OUR ELDERLY WITH DIGNITY IS ONE OF THESE THINGS WE CREATED MEDICARE NOT BECAUSE IT WAS CHEAP OR EASY BUT BECAUSE IT WAS THE RIGHT THING TO DO THE REPUBLICANS ARE WRONG TO WANT TO CUT MEDICARE BENEFITS AND PRESIDENT CLINTON IS RIGHT TO PROTECT MEDICARE RIGHT TO DEFEND OUR DECISION AS A NATION TO DO WHAT'S MORAL GOOD AND RIGHT BY OUR ELDERLY

D19 EMMA DNC54-30

PRESERVING MEDICARE FOR THE NEXT GENERATION THE RIGHT CHOICE BUT WHAT'S THE RIGHT WAY REPUBLICANS SAY DOUBLE PREMIUMS DEDUCTIBLES NO COVERAGE IF YOU'RE UNDER SIXTY-SEVEN 270 BILLION IN CUTS BUT LESS THAN HALF THE MONEY REACHES THE MEDICARE TRUST FUND THAT'S WRONG WE CAN SECURE MEDICARE WITHOUT THESE NEW COSTS ON THE ELDERLY THAT'S THE PRESIDENT'S PLAN CUT WASTE CONTROL COSTS SAVE MEDICARE BALANCE THE BUDGET THE RIGHT CHOICE FOR OUR FAMILIES

D38 SAND DNC120-30

THERE ARE BELIEFS AND VALUES THAT TIE AMERICANS TOGETHER IN WASHINGTON THESE VALUES GET LOST IN THE TUG OF WAR BUT WHAT'S RIGHT MATTERS WORK NOT WELFARE IS RIGHT PUBLIC EDUCATION IS RIGHT MEDICARE IS RIGHT A TAX CUT FOR WORKING FAMILIES IS RIGHT THESE VALUES ARE BEHIND THE PRESIDENT'S BALANCED BUDGET PLAN VALUES REPUBLICANS IGNORE CONGRESS SHOULD JOIN THE PRESIDENT AND BACK THESE VALUES SO INSTEAD OF A TUG OF WAR WE COME TOGETHER AND DO WHAT'S RIGHT FOR OUR FAMILIES

D58 FAMILIES DNC170-30

OUR FAMILIES NEED MEDICARE BUT NOW WE LEARN THE TRUTH NOW WE DON'T GET RID OF IT IN ROUND ONE BECAUSE WE DON'T THINK THAT THAT'S POLITICALLY SMART WE DON'T THINK THAT'S THE RIGHT WAY TO GO THROUGH A TRANSITION BUT WE BELIEVE IT'S GOING TO WITHER ON THE VINE AND NOW THE REPUBLICANS IN CONGRESS WANT THE PRESIDENT TO CUT A DEAL AND JUST LET MEDICARE WITHER ON THE VINE NO DEAL THE PRESIDENT WILL VETO ANY BILL THAT CUTS MEDICARE BENEFITS EDUCATION OR HARMS THE ENVIRONMENT THE PRESIDENT BELIEVES WE MUST DO OUR DUTY BY OUR PARENTS AND PROVIDE OUR CHILDREN WITH OPPORTUNITY

D78 THREATEN DNC200-30

THE TRUTH ON MEDICARE NOW WE DON'T GET RID OF IT IN ROUND ONE BECAUSE WE DON'T THINK THAT THAT'S POLITICALLY SMART WE DON'T THINK THAT'S THE RIGHT WAY TO GO THROUGH A TRANSITION BUT WE BELIEVE IT'S GOING TO WITHER ON THE VINE MEDICARE WITHER ON THE VINE BUT PRESIDENT CLINTON WILL VETO ANY BILL THAT CUTS MEDICARE BENEFITS EDUCATION OR THE ENVIRONMENT NOW REPUBLICANS THREATEN TO CLOSE THE GOVERNMENT DOWN IF THE PRESIDENT WON'T CUT MEDICARE AND EDUCATION NO DEAL THE PRESIDENT WILL DO RIGHT BY OUR ELDERLY AND OUR CHILDREN THREAT OR NO THREAT

D120 PRESIDENTS DNC261-30

THE CONSTITUTION PRESIDENTS HAVE USED THE POWER IT GIVES THEM TO PROTECT OUR VALUES THAT'S WHY THE 42ND PRESIDENT IS STANDING FIRM FOR HIS BALANCED BUDGET PLAN THE PRESIDENT'S BALANCED BUDGET PROTECTS OUR ELDERLY REPUBLICANS IN CONGRESS CUT MEDICARE 270 BILLION DOLLARS THE PRESIDENT'S BALANCED BUDGET SECURES OPPORTUNITY FOR OUR CHILDREN REPUBLICANS CUT EDUCATION 30 BILLION THAT'S WHY THE PRESIDENT IS VETOING THE REPUBLICAN BUDGET STANDING UP FOR WE THE PEOPLE

D99 FIRM DNC270-30

THE CONSTITUTION PRESIDENTS HAVE USED THE POWER IT GIVES THEM TO PROTECT OUR VALUES THAT'S WHY THE 42ND PRESIDENT IS STANDING FIRM FOR HIS BALANCED BUDGET PLAN THE PRESIDENT'S BALANCED BUDGET PROTECTS OUR ELDERLY REPUBLICANS IN CONGRESS CUT MEDICARE 270 BILLION DOLLARS THE PRESIDENT'S BALANCED BUDGET SECURES OPPORTUNITY FOR OUR CHILDREN REPUBLICANS CUT EDUCATION 30 BILLION THAT'S WHY THE PRESIDENT IS VETOING THE REPUBLICAN BUDGET STANDING UP FOR WE THE PEOPLE

D141 PEOPLE DNC300-30

BELLE IS DOING FINE BUT MEDICARE COULD BE CUT NICHOLAS IS GOING TO COLLEGE BUT HIS SCHOLARSHIP COULD BE GONE THE STAKES IN THE BUDGET DEBATE JOSHUA'S DOING WELL BUT HELP FOR HIS DISABILITY COULD BE CUT PRESIDENT CLINTON STANDING FIRM TO PROTECT PEOPLE MATTHEW BOUGHT A HOUSE BUT WILL THE WATER BE SAFE TO DRINK MIKE HAS A JOB BUT NEW TAXES IN THE REPUBLICAN BUDGET COULD SET HIM BACK PRESIDENT CLINTON SAYS BALANCE THE BUDGET BUT PROTECT OUR FAMILIES

D163 CHILDREN DNC330-30

AMERICA'S CHILDREN 7,000,000 PUSHED TOWARD POVERTY BY HIGHER TAXES ON WORKING FAMILIES 4,000,000 CHILDREN GET SUB STANDARD HEALTH CARE EDUCATION CUT 30,000,000,000 DOLLARS ENVIRONMENTAL PROTECTION GUTTED THAT'S THE SAD TRUTH BEHIND THE REPUBLICAN BUDGET PLAN THE PRESIDENT'S SEVEN YEAR BALANCED BUDGET PROTECTS MEDICARE EDUCATION AND GIVES WORKING FAMILIES WITH CHILDREN A TAX BREAK IT'S OUR DUTY TO AMERICA'S CHILDREN AND THE PRESIDENT'S PLAN WILL MEET IT

D185 SLASH DNC390-30

AMERICA'S CHILDREN MILLIONS PUSHED TOWARD POVERTY BY HIGHER TAXES OVER A MILLION GET SUB STANDARD HEALTH CARE EDUCATION CUT 30,000,000,000 BILLION ENVIRONMENTAL PROTECTION GUTTED DRASTIC REPUBLICAN BUDGET CUTS BUT THE PRESIDENT'S PLAN PROTECTS MEDICARE MEDICAID EDUCATION ENVIRONMENT AND EVEN REPUBLICAN LEADERS AGREE IT BALANCES THE BUDGET IN SEVEN YEARS CONGRESS SHOULD NOT SLASH MEDICARE AND MEDICAID IT SHOULD BALANCE THE BUDGET AND DO OUR DUTY TO OUR CHILDREN

D429 HELP DNC705-30

FAMILY MEDICAL LEAVE SO MOTHERS CAN CARE FOR THEIR BABIES PRESIDENT CLINTON GOT IT PASSED REPUBLICANS OPPOSED IT MORE HELP FOR SMALL CLASSES TEACHING READING AND MATH PRESIDENT CLINTON GOT IT PASSED REPUBLICANS WANT TO CUT HELP TO SCHOOLS LOW COST VACCINE TO IMMUNIZE CHILDREN AGAINST DISEASE PRESIDENT CLINTON PASSED IT REPUBLICANS OPPOSE IT THE REPUBLICANS WILL DO ANYTHING ANYTHING TO STOP PRESIDENT CLINTON'S PLAN PRESIDENT CLINTON'S PLAN MEETING OUR CHALLENGES PROTECTING OUR VALUES

D299 STOP DNC540-30

ACCESS TO HEALTH INSURANCE FOR ALL PRESIDENT CLINTON'S PLAN CHILD  
SUPPORT COLLECTION FOR MOTHERS AND THEIR CHILDREN EDUCATION JOB  
TRAINING MORE POLICE WHAT PRESIDENT CLINTON AND THE DEMOCRATS WANT FOR  
AMERICA REPUBLICANS WILL STOP AT NOTHING TO STOP PRESIDENT CLINTON  
REPUBLICANS CUT SCHOOL LUNCHES CUT HEADSTART CUT CHILD HEALTHCARE  
REPUBLICANS WILL STOP AT NOTHING TO STOP PRESIDENT CLINTON STAND FIRM  
CHILDREN ARE COUNTING ON YOU

4 DNC ADS - DREAMS, VICTIMS, CHALLENGE, WELFARE  
[NOTE: NON-ITALIC IS VOICE-OVER, UNDERSCORED IS CLINTON SPEAKING]

D508 DREAMS DNC830-30

I WANT TO BE AN ARCHEOLOGIST COLLEGE PROFESSOR PALEONTOLOGIST THE  
PRESIDENT SAYS GIVE EVERY CHILD THE CHANCE FOR COLLEGE WITH A TAX CUT  
OF 1,500 DOLLARS A YEAR FOR TWO YEARS MAKING MOST COMMUNITY COLLEGES  
FREE ALL COLLEGES MORE AFFORDABLE I WANT TO BE AN OCEANOGRAPHER  
PRESCHOOL TEACHER AND FOR ADULTS A CHANCE TO LEARN FIND A BETTER JOB  
THE PRESIDENT'S TUITION TAX CUT PLAN I'M GOING TO FIND A CURE FOR  
CANCER BECAUSE YOU'RE NEVER TOO OLD TO LEARN OR TOO YOUNG TO DREAM

D276 VICTIMS DNC500-30

EVERY YEAR IN AMERICA 1,000,000 WOMEN ARE VICTIMS OF DOMESTIC ABUSE IT  
IS A VIOLATION OF OUR NATION'S VALUES IT'S PAINFUL TO SEE IT'S TIME TO  
CONFRONT IT THE PRESIDENT'S PLAN INCREASE CHILD SUPPORT ENFORCEMENT  
WORK NOT WELFARE TO ENCOURAGE STRONGER FAMILIES IMPROVE AND ENFORCE  
DOMESTIC VIOLENCE LAWS 1,000,000 WOMEN A TEST OF OUR NATIONAL  
CHARACTER A CHALLENGE WE WILL MEET

D241 CHALLENGE DNC450-30

AMERICA WAS BUILT ON CHALLENGES NOT PROMISES AND WHEN WE WORK TOGETHER  
TO MEET THEM WE NEVER FAIL IN THIS PLACE OUR RESPONSIBILITY BEGINS  
WITH BALANCING THE BUDGET IN A WAY THAT IS FAIR TO ALL AMERICANS TO  
PRESERVE THE BASIC PROTECTIONS OF MEDICARE AND MEDICAID I AM READY TO  
MEET TOMORROW AND GIVE THE AMERICAN PEOPLE THEIR BALANCED BUDGET A TAX  
CUT LOWER INTEREST RATES AND A BRIGHTER FUTURE WE SHOULD DO THAT NOW  
AND MAKE PERMANENT DEFICITS YESTERDAY'S LEGACY

D253 WELFARE DNC470-30

FAMILIES DESTROYED CHILDREN'S DREAMS LOST THE LEGACY OF OUR PRESENT  
WELFARE SYSTEM THE PRESIDENT'S PLAN INCREASE CHILD SUPPORT ENFORCEMENT  
REDUCE TEEN PREGNANCY WORK REQUIREMENTS FOR WELFARE RECIPIENTS STRICT  
TIME LIMITS ON WELFARE BENEFITS TEACH VALUES IN OUR SCHOOLS NO WORK NO  
WELFARE RESCUE CHILDREN FROM THE DESTRUCTIVE WELFARE SYSTEM WE CAN  
MAKE REAL WELFARE REFORM A REALITY IN THE LIVES OF THE AMERICAN PEOPLE









FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

***EXIT CONFERENCE MEMORANDUM  
OF THE AUDIT DIVISION ON THE  
CLINTON/GORE '96 PRIMARY COMMITTEE, INC.***

**I. AUDIT SCOPE AND PROCEDURES**

In addition to a review of the committee's expenditures to determine the qualified and non-qualified campaign expenses incurred by the campaign, the audit covered the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations (see Finding II.A.);
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as the completeness and accuracy of the information disclosed;
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. proper disclosure of campaign debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records;
7. adequate recordkeeping for campaign transactions;
8. accuracy of the Statement of Net Outstanding Campaign Obligations filed by the Clinton/Gore '96 Primary Committee, Inc. (the Primary Committee) to disclose its financial condition and to establish continuing matching fund entitlement (see Finding III.E.);

9. the Primary Committee's compliance with spending limitations (see Finding III.D.); and
10. other audit procedures that were deemed necessary in the situation.

As part of the Commission's standard audit process, an inventory of campaign records is normally conducted prior to the audit fieldwork. This inventory is conducted to determine if the auditee's records are materially complete and in an auditable state.

The inventory began on January 6, 1997. Due to the unavailability of records, the Audit staff suspended fieldwork on January 22, 1997. Prior to leaving, an itemized list of records needed was provided to the Primary Committee. These records, consisting of: bank statements and enclosures for three campaign depositories; check registers for certain operating and payroll accounts; records relative to in-kind contributions, campaign travel, campaign materials, Primary Committee credit cards, media placements, public opinion polls, fundraising, event and allocation codes; workpapers detailing FEC report preparation and components for the Statement of Net Outstanding Campaign Obligations; copies of all Primary Committee contracts/agreements; copies of IRS forms 940 and 941; a listing of key personnel, including positions and responsibilities; and, Computerized Magnetic Media for disbursements were initially requested in writing during the period January 7, 1997 through January 22, 1997.

In a letter dated January 29, 1997, the Primary Committee was notified that the records were to be made available on or before February 21, 1997; with respect to records not made available, the Commission would issue subpoenas for production of the records not only to the Primary Committee, but also to vendors, banks or any other persons in possession of relevant materials. In addition, the Audit staff identified records that, at a minimum, had to be made available before fieldwork could resume.

In addition, on January 8, 1997, the Audit staff was instructed that all requests for vendor files would be directed to a designated staff person and that such requests would be limited to documentation associated with a block of no more than 500 checks (e.g., check numbers 1000 - 1499). The Audit staff met with Primary Committee representatives on January 15, 1997 in an attempt to reach a workable solution as to access. A solution was not reached and Primary Committee counsel was notified that we were prepared to recommend subpoenas for all vendor files in the event that a reasonable solution could not be worked out. On February 19, 1997, Audit Division representatives met with Primary Committee counsel to discuss resuming fieldwork and access to vendor files. A workable solution as to access was reached.

Audit fieldwork resumed on February 24, 1997. However, the Primary Committee continued to delay production of records. The Audit staff was informed that attorneys had to review all records prior to them being made available to the Audit staff. In certain instances, the Primary Committee refused to make records available and in other instances, were not initially accurate as to the existence and/or availability of certain records requested. For example, the Primary Committee refused to make available bank

records pertaining to the bank account maintained by the media vendors who placed and paid for media buys on behalf of the Primary Committee (see Finding III.A.). With respect to certain electronic spreadsheets for fundraising and/or legal and accounting allocations, as well as other computerized records, Primary Committee representatives stated on numerous occasions that such records could not or would not be made available in a computerized format. When continuing to inquire why these records could not be made available in a computerized format, the Audit staff was informed by the Primary Committee's accountant that the Primary Committee's Chief Counsel, had said that computerized records were not to be made available to the Audit staff. The Audit staff made repeated attempts to meet with Counsel, however, no such meeting was ever scheduled. Near the end of fieldwork, in 1998, certain electronic spreadsheet records were eventually provided.

As a result, during the period May 28, 1997 through February 3, 1998, the Audit staff requested the Office of General Counsel to prepare subpoenas for the production of records. The Commission issued 22 subpoenas to either the Primary Committee or respective vendors in order to obtain records generally made available to the Audit staff at the beginning of fieldwork.<sup>1</sup>

It is the opinion of the Audit staff that the delays in production of records by the Primary Committee resulted in wasting numerous staff hours which directly delayed the completion of the audit fieldwork a minimum of four months.

Accordingly, the scope of work performed was limited due to delays encountered in obtaining records necessary to perform the audit. Certain findings in the Memorandum will be supplemented with information obtained by sources other than the Primary Committee, and be presented in the audit report considered by the Commission at a later date.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in this memorandum in an enforcement action.

<sup>1</sup> Records concerning payments made by the Primary Committee's media vendors on behalf of the Democratic National Committee are not in this category.

## II. FINDINGS AND RECOMMENDATIONS - NON-REPAYMENT MATTERS

### A. RECEIPT OF PROHIBITED CONTRIBUTIONS RESULTING FROM EXTENSIONS OF CREDIT BY COMMERCIAL VENDORS

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution in connection with any election for Federal office.

Section 116.3(a) of Title 11 of the Code of Federal Regulations states that a commercial vendor that is not a corporation may extend credit to a candidate, a political committee or another person on behalf of a candidate or political committee. An extension of credit will not be considered a contribution to the candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendor's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation. Section 116.3(b) of Title 11 of the Code of Federal Regulations states that a corporation in its capacity as commercial vendor may extend to a candidate, a political committee or another person on behalf of a candidate or political committee provided that the credit extended in the ordinary course of the corporation's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation.

Section 116.3(c) of Title 11 of the Code of Federal Regulations states that in determining whether credit was extended in the ordinary course of business, the Commission will consider: (1) whether the commercial vendor followed its established procedures and its past practice in approving the extension of credit; (2) whether the commercial vendor received prompt payment in full if it previously extended credit to the same candidate or political committee; and (3) whether the extension of credit conformed to the usual and normal practice in the commercial vendor's trade or industry.

During our review of selected Primary Committee disbursements, the Audit staff noted that on October 28, 1996, the Primary Committee made three payments to the polling firm of Penn + Schoen Associates, Inc. (Penn + Schoen) which included reimbursements for travel expenses, totaling \$74,970, incurred by Mark Penn, Douglas Schoen and Jill Kaufman between May 4, 1995 and June 30, 1996. The invoices were dated October 28, 1996, and were also stamped by the Primary Committee as being received on October 28, 1996.

The Primary Committee paid approximately \$1.8 million (16 payments) to Penn + Schoen, the Primary Committee's main polling firm, during the period covered by this audit. It appears that other payments to this vendor were made in a timely manner. The Audit staff was unable to determine if Penn + Schoen followed its established procedures and its past practices relative to this extension of credit nor were we able to determine whether the extension of credit conformed to the usual and normal practice in the vendor's industry. The reimbursement policy in Penn + Schoen's consulting agreement makes no mention as to time frames for the billing and payment of travel

expenses. According to a Dun + Bradstreet Public Record Search, Penn, Schoen + Berland Associates, Inc. (former name: Penn + Schoen Associates, Inc.), was incorporated in the state of New York on October 30, 1984 and was still active as of January 17, 1998.

The Primary Committee provided documentation in the form of an affidavit from Rick Joseph who is the Controller at Penn + Schoen. He is responsible for preparing and sending invoices to clients for services rendered and expenses incurred. Mr. Joseph states the Controller position was vacant for approximately four months prior to his employment (September 3, 1996) and that due to inadequate staffing, during this vacancy, Penn + Schoen did not regularly bill its clients for invoices that required research or back-up documentation. Mr Joseph states further that soon after his employment, he discovered that invoices for travel expenses incurred between May, 1995 and June, 1996, on behalf of Clinton/Gore '96 Primary Committee, Inc. had either not been invoiced to the Primary Committee or were invoiced, but lacked the correct back-up documentation. The Controller continues by stating that while the position of Controller was vacant an accounting assistant forwarded ten invoices to the Primary Committee totaling \$45,331, for travel dating back to May, 1995, however, Penn + Schoen was notified by the Primary Committee that these invoices did not contain all the necessary back-up documentation. During August - September, 1996, as requested by the Primary Committee, Penn + Schoen continued to provide additional documentation to support its reimbursement requests. The Controller states that he rebilled the Primary Committee on October 28, 1996 for \$37,548 to comply with the Primary Committee's travel reimbursement policies. Penn + Schoen was reimbursed for this amount on October 28, 1996. Mr. Joseph states that he sent an invoice on October 4, 1996 to the Primary Committee for the amounts of \$32,037 and \$16,605 with back-up receipts for Mark Penn's and Douglas Schoen's travel dating back to January 1, 1996. These invoices were revised on October 28, 1996 to comply with the Primary Committee's travel reimbursement policies. The Primary Committee reimbursed Penn + Schoen for the amounts of \$30,262 and \$14,830 on October 28, 1996.

Neither Mr. Joseph nor Penn + Schoen provided an explanation as to why the Primary Committee was not billed for travel expenses incurred May, 1995 through April, 1996. The period of time preceded the four month period that the Controller position was vacant. Further, Penn + Schoen did not include documentation of other clients who were not billed on a regular basis.

### **Recommendation #1**

The Audit staff recommends that, within 60 calendar days of service of this memorandum, the Primary Committee provide additional documentation or any other comments to demonstrate that the credit extended (\$74,970 in travel expenses incurred) by the above vendor was in the normal course of its business, including statements from the vendor and did not represent a prohibited contribution. The information provided should include examples of other customers or clients of similar size and risk for which similar services have been provided and similar billing arrangements have been used.

Also, information concerning billing policies for similar clients and work, advance payment policies, debt collection policies, and billing cycles should be included.

### **III. FINDINGS AND RECOMMENDATIONS - REPAYMENT MATTERS**

#### **A. RECEIPT OF AN APPARENT EXCESSIVE CONTRIBUTION - MEDIA ADS PAID FOR BY THE DEMOCRATIC NATIONAL COMMITTEE**

Section 441a (a)(2)(A) of Title 2 of the United States Code states in part that no multicandidate political committee shall make contributions to any candidate and his authorized political committees with respect to any election to Federal office which, in the aggregate, exceed \$5,000. Section 441a (a)(7)(B) states that expenditures made by any person in cooperation, consultation, or concert with, or at the request or suggestion of, a candidate, his authorized political committees, or their agents, shall be considered to be a contribution to such candidate. The section then states that the financing by any person of the dissemination, distribution, or republication, in whole or in part, of any broadcast or any written, graphic, or other form of campaign materials prepared by the candidate, his campaign committees, or their authorized agents shall be considered to be an expenditure. The purpose, content and timing of any speech-related expenditure distinguish coordinated activity that gives rise to a contribution from other interaction. Express advocacy or an electioneering message is not required for expenditures coordinated with candidates and their campaigns to be considered contributions.

Section 441a(d) of Title 2 of the United States Code provides that the national committee of a political party may make a limited amount of "coordinated party expenditures" in connection with the general election campaign of its Presidential candidate that are not subject to, and do not count toward, the contribution and expenditure limitations at 2 U.S.C. §§441a(a) and (b) including the expenditure limitation for publicly-funded candidates. *See also* 11 CFR §110.7(a)(6). A coordinated party expenditure in excess of the 2 U.S.C. §441a(d)(2) limitations would be subject to the contribution limitations.

In determining whether specific communications paid for by parties were coordinated expenditures subject to the 2 U.S.C. §441a(d) limitations, the Commission has considered whether the communication refers to a "clearly identified candidate" and contains an "electioneering message" in Advisory Opinions ("AO") 1984-15 and 1985-14. Section 431(18) of Title 2 of the United States Code defines the term "clearly identified" to mean that the name of the person involved appears, a photograph or drawing of the candidate appears; or the identity of the candidate is apparent by unambiguous reference. In AO 1984-15, the Commission stated that the definition of "electioneering message" includes statements designed to urge the public to elect a certain candidate or party, or which would tend to diminish public support for one candidate and garner support for another candidate. Citing AO 1984-15, the Commission also stated in AO 1985-14 that "expenditures pursuant to 2 U.S.C. §441a(d) may be made without consultation or coordination with any candidate and may be made before the party's general election candidates are nominated."

Section 100.7(a) of Title 11 of the Code of Federal Regulations states, in part, that a contribution includes a gift, subscription, loan, advance, or deposit of money or anything of value for the purpose of influencing a Federal election. Anything of value includes all contributions in-kind.

Section 100.8(a)(1) of Title 11 of the Code of Federal Regulations defines an expenditure to include any purchase, payment, distribution, loan, advance, deposit, gift of money or anything of value, made by any person for the purpose of influencing any election for federal office. Section 100.8(a)(1)(iv)(A) of Title 11 of the Code of Federal Regulations states "anything of value" includes in-kind contributions. Section 104.13(a)(1) and (2) of Title 11 of the Code of Federal Regulations requires that each in-kind contribution be reported as both a contribution and an expenditure.

Section 441a(f) of Title 2 of the United States Code prohibits candidates or political committees from knowingly accepting any contribution that violates the contribution limitations.

Section 9032.9 of Title 11 of the Code of Federal Regulations defines a qualified campaign expense as a purchase, payment, distribution, loan, advance, deposit, or gift of money or anything of value that is:

- incurred by or on behalf of a candidate or his or her authorized committee from the date the individual becomes a candidate through the last day of the candidate's eligibility;
- made in connection with his or her campaign for nomination; and,
- neither the incurrence nor payment of which constitutes a violation of any law of the United States or of any law of any State in which the expense is incurred or paid.

An expenditure is made on behalf of a candidate, including a Vice Presidential candidate, if it is made by:

- an authorized committee or any other agent of the candidate for the purpose of making an expenditure;
- any person authorized or requested by the candidate, an authorized committee of the candidate, or an agent of the candidate to make the expenditure; or
- a committee which has been requested by the candidate, by an authorized committee of the candidate, or by an agent of the candidate to make the expenditure, even though such committee is not authorized in writing.

Section 9034.4(e) of Title 11 of the Code of Federal Regulations provides the following rules that apply to candidates who receive public funding in both the

primary and general election. Any expenditure for goods or services that are used exclusively for the primary election campaign are attributed to the primary committee's expenditure limits; any expenditure for goods or services that are used exclusively for the general election campaign are attributed to the general election limits. The costs of a campaign communication that does not include a solicitation are attributed based on the date on which the communication is broadcast, published or mailed. Media production costs for media communications that are broadcast or published both before and after the date of the candidate's nomination are attributed 50% to the primary election limits and 50% to the general election limits. Distribution costs, including such costs as air time and advertising space in newspapers, shall be paid for 100% by the primary or general election campaign depending on when the communication is broadcast or distributed. The relevant date for determining whether an expense is for the primary or general election is the candidate's date of nomination.

Section 9035.1(a)(1) of Title 11 of the Code of Federal Regulations, states, in part, that no candidate or his authorized committees shall knowingly incur expenditures in connection with the candidate's campaign for nomination that in the aggregate exceed \$10,000,000 as adjusted under 2 U.S.C. §441a(c).

Section 441a(b) and (c) of Title 2 of the United States Code makes publicly-funded candidates subject to expenditure limitations. Section 9033(b)(1) of Title 26 of the United States Code requires that, to be eligible to receive public financing in the primary election, a candidate must certify to the Commission that, *inter alia*, he or she and his or her authorized committees will not incur qualified campaign expenses in excess of the expenditure limitation. Section 441a(f) of Title 2 of the United States Code prohibits candidates or political committees from knowingly making expenditures in violation of the primary election expenditure limitation at 2 U.S.C. §441a(b).

### BACKGROUND

During the audit fieldwork, the Audit staff requested station documentation and VHS formatted tapes for all media ads placed on behalf of the Primary Committee by its media vendor. Further, the Audit staff requested bank statements, including all enclosures, for all bank accounts maintained by the media vendor and used to make payments for media ads placed on behalf of the Primary Committee.<sup>2</sup> The Primary Committee stated initially that bank statements for the media vendor's account used to handle the Primary Committee's activity, although requested would not be provided to the Audit staff because the bank account used by the media vendor also contained activity related to other clients. Subsequently, the Primary Committee provided certain canceled checks purported to represent checks issued by its media vendor for Primary Committee media buys; station documentation for certain media flights was also provided.<sup>3</sup>

<sup>2</sup> For Title 26 audits of primary and general election candidates, these records may also be examined at the offices of the media firm.

<sup>3</sup> Media flights represent a period of time in which one or more media ads were placed.

Based on our review of the documentation made available, the Audit staff determined that the Primary Committee's media vendors were Squier Knapp Och Communications (SKO) and November 5 Group, Inc. (Nov 5). Primary Committee media ads<sup>4</sup> that aired in June 1995 through March 1996 were placed by SKO, starting in May 1996 through August 21, 1996, all Primary Committee media ads were placed by Nov 5.<sup>5</sup> Both SKO and Nov 5 maintained at least one bank account each at the National Capital Bank of Washington. From these accounts, funds were disbursed to television stations in payment of media ads on behalf of the Primary Committee. According to a newspaper article (The Washington Post, Sunday, January 4, 1998, A Section) Robert D. Squier, William N. Knapp, Mark Penn, Douglas Schoen and Dick Morris were each a partner in Nov 5.

Mr. Squier and Mr. Knapp are partners at SKO, the Primary Committee's principal media vendor. Mr. Penn and Mr. Schoen are partners at Penn + Schoen Associates, Inc. (PSA) the Primary Committee's polling firm.<sup>6</sup> Mr. Morris was a media consultant.

In addition, the Audit staff noted instances where canceled checks issued by SKO/Nov 5 contained annotations such as "DNC" or "DEMOCRATIC NATIONAL COMM/STATE PARTY." Station documentation (also known as station affidavits) issued by the broadcast station contained information such as the date, time, name or other reference to ad aired, amount charged for air time, and the television station that aired an ad, as well as a section that contained the name of the advertiser and product. In many instances, the advertiser/product section contained references such as "democratic national committee", "dnc/clinton gore '96" or "dnc."

On July 2, 1997, the Commission issued subpoenas to the Primary Committee, SKO, and Nov 5 in order to obtain media reconciliations, station documentation not previously provided, all bank statements, all canceled checks and debit advices issued by the media vendor on behalf of the Primary Committee and all deposit tickets/slips and

<sup>4</sup> Throughout this Memorandum, "Primary Committee ad" refers to an advertisement paid for by the Primary Committee. It does not include ads that may be related to the primary election but were paid for by the DNC or Democratic state party committees.

<sup>5</sup> No Primary Committee media ads were placed during the period August 1995 through February 1996.

<sup>6</sup> It appears that the results of polls, advertising tests and mall tests were used to develop media ads.

credit advices associated with the deposit of Primary Committee funds into any account(s) maintained by SKO or Nov 5.<sup>7</sup>

Counsel for the Primary Committee responded on behalf of the Primary Committee, SKO and Nov 5. In response, media reconciliations, all missing station documentation for flights, and a VHS tape of Primary Committee media ads were made available for review. SKO and Nov 5's bank statements and enclosures represented as specifically related to Primary Committee transactions were also made available. However, the bank statements contained redactions.

In order to obtain all bank records related to these accounts, the Commission issued a subpoena to the National Capital Bank of Washington on September 3, 1997, for all bank statements, enclosures, including canceled checks, deposit items and all debit and credit advices for the identified accounts maintained and used by SKO and Nov 5. The period covered was April 1995 through December 31, 1996. The National Capital Bank of Washington (the Bank) submitted bank statements, and all enclosures which could be retrieved from the Bank's records systems for the accounts requested.

On January 16, and 30, 1998, the Commission issued additional subpoenas to SKO and Nov 5 in order to obtain additional media documentation including media reconciliations (in electronic format), certain bank records, VHS tapes, and station documentation for all advertisements paid from the SKO and Nov 5 accounts by or on behalf of the DNC or any state or local party committee, or was associated in any way with the DNC or any state or local party committee. The period covered was April 1, 1995 through August 28, 1996.

The Audit staff reviewed all documentation provided by the Primary Committee and all documentation received as a result of the above subpoenas. Our review found that during the period June 1995 through August 28, 1996, media ads were placed by SKO and/or Nov 5, the cost of which was funded directly or indirectly by the Democratic National Committee (the DNC).<sup>8</sup> The cost of the DNC media ads was \$42,373,336.<sup>9</sup> During the same period Primary Committee media ads were placed by SKO and/or Nov 5, the cost of which (\$11,731,101) was funded by the Primary Committee.

Our review also found that the DNC wired funds directly to SKO and/or Nov 5 bank accounts. In addition, the DNC itemized on its FEC reports disbursements of funds directly to state party committees; once received the state party committees wired funds

<sup>7</sup> Media reconciliations were prepared by the media firm and contained information such as, client name, flight date, ad name, broadcast stations used, check number used to pay a specific station, gross billing, net paid to station, net due to stations, commission charged, amount due from client and amount received from client.

<sup>8</sup> Audit work performed to prepare this Memorandum did not include an examination of the DNC's or state parties' bank or other internal financial records. Disclosure reports (DNC/State party committees) filed with the FEC were reviewed.

<sup>9</sup> This figure represents the amount due to broadcast stations relative to ads placed and aired

to either SKO's or Nov 5's bank accounts. In the case of one state party committee, the Pennsylvania Democratic Committee, it was noted that in excess of \$4,000,000 was wired to identified accounts maintained by SKO and Nov 5. Credit advices included with SKO's and Nov 5's bank statements identified the funds as wire transfers originating from CoreStates Bank. These credit advices contained the following notation "CORESTATE PHIL [apparently Philadelphia] ORG=COMMERCIAL LOAN HARRISBURG HARRISBURG FIS ORG #0101 PA 00".<sup>10</sup>

**PLACEMENT OF PRIMARY COMMITTEE AND DNC ADS BY SKO AND NOV 5**

The chart below depicts the dates of and amounts due to broadcast stations relative to the placement of Primary Committee ads and DNC ads<sup>11</sup> undertaken by SKO and/or Nov 5. This information was obtained from media reconciliations prepared by SKO and/or Nov 5.

<sup>10</sup> On February 28, 1998, the Commission issued a subpoena to CoreStates Bank in order to obtain any and all documentation associated with the apparent commercial loan. To date a satisfactory response has not been received.

<sup>11</sup> Throughout this Memorandum, "DNC ad" refers to any advertisement paid for by the DNC or by any Democratic state party committee. These ads may have been related to the candidate's primary or general election campaign.

| Primary Committee Ads  |                            | DNC Ads                |                            |
|------------------------|----------------------------|------------------------|----------------------------|
| Run Dates              | Amounts<br>due to stations | Run Dates              | Amounts<br>due to stations |
| 06/27/95 -<br>07/24/95 | \$ 2,034,274               | 08/16/95 -<br>03/05/96 | \$15,692,881               |
| 03/08/96 -<br>03/25/96 | 538,932                    | 03/07/96 -<br>03/27/96 | 2,487,795                  |
| 05/04/96 -<br>05/31/96 | 1,185,882                  | 03/30/96 -<br>05/03/96 | 5,021,284                  |
| 07/09/96 -<br>08/21/96 | 7,972,013                  | 05/04/96 -<br>05/31/96 | 3,293,351                  |
|                        |                            | 06/01/96 -<br>07/09/96 | 11,169,521                 |
|                        |                            | 07/10/96 -<br>08/21/96 | 2,764,251                  |
|                        |                            | 08/21/96 -<br>08/29/96 | 1,944,252                  |
| <b>Total</b>           | <b>\$11,731,101</b>        |                        | <b>\$42,373,336</b>        |

Initially, during the period June 27, 1995 through July 24, 1995 only Primary Committee ads were aired. During the period August 16, 1995 through March 5, 1996 no Primary Committee ads aired; however, nearly \$15.7 million was spent by the DNC to broadcast DNC ads. The next period, March 7, 1996 through March 27, 1996, both Primary Committee and DNC ads were aired. This pattern continued through August 21, 1996. Only DNC ads aired during the period from August 22, 1996 to August 28, 1996 (the Candidate's date of ineligibility).

To recap, first only Primary Committee ads were run (6/27/95 - 7/24/95), then only DNC ads (8/16/95 - 3/5/96), followed by both Primary Committee and DNC ads run (3/16/96 - 8/21/96). Finally, no Primary Committee ads were placed after August 21, 1996; however, during the period August 21, 1996 through August 28, 1996, placement cost for DNC ads, totaled \$1,944,252.

As can be easily identified, two distinct patterns exist. They are: 1) periods of time when only Primary Committee ads were aired and periods of time when only DNC

ads were aired; and, 2) periods of time when both DNC and Primary Committee ads were aired.

### EVIDENCE OF COORDINATION

The items discussed below indicate coordination and cost sharing between the Primary Committee and the DNC. Documentation with respect to allocations of cost between the Primary Committee and the DNC has not been reviewed. Therefore, the Audit staff offers no opinion on the reasonableness of such allocations.

#### Shared Production Expenses

On May 8, 1996, SKO invoiced the Primary Committee \$10,605.96 for production expenses related to shoot in Iowa (2/10/96 - 2/11/96), dubbing/shipping costs and film shoot and travel expenses. Attached to the invoice was a breakdown of expenses which totaled \$21,211.91. These expenses were allocated equally between the Primary Committee and the DNC. The Primary Committee paid SKO \$10,605.96 toward these expenses. Information is not available at this time with which to verify the DNC's payment. On the same date, SKO invoiced the Primary Committee \$10,605.68 for expenses associated with "Shoot footage of Clinton at White House for Video - 'Iowa/New Hampshire'." Supporting documentation for all related sub-contract expenses was annotated with the DNC's account code. The Primary Committee paid SKO \$10,605.68 on May 31, 1996

In another instance involving SKO, the Primary Committee was invoiced \$23,076.90 for expenses related to B-roll shoot (2/29/96 - 3/20/96). Attached to the invoice was a breakdown of expenses, which totaled \$46,153.80. These expenses were allocated equally between the Primary Committee and the DNC. The Primary Committee paid SKO \$23,076.90. Information is not available at this time with which to verify the DNC's payment.

Finally, on September 16, 1996, SKO invoiced the Primary Committee \$15,829.65 for expenses associated with an ad entitled "Nobody". Supporting documentation includes an invoice from Interface Video Systems, Inc. for dubbing/satellite charges totaling \$1,215. Of the 5 detailed charges noted on this invoice, three charges, totaling \$984, were annotated C/G and two charges, totaling \$231, were annotated DNC. The SKO invoice included only the Primary Committee's portion of the dubbing and satellite charges (\$984). The job title line states " 'Nobody' and 'Them' / 75 VHS and 23 BCSP/Mike McMillen." The words "Nobody" and "Them" were annotated C/G and DNC respectively.

As discussed below under The TV Ads, the Primary Committee ad Nobody and the DNC ad Them were exactly the same in audio and video content.<sup>12</sup> Both ads ran in August, 1996.

Of the remaining 10 SKO invoices issued to the Primary Committee and associated with production expenses, all but two contained annotations indicating DNC related charges.

#### PLACEMENT OF ADS

Coordination between the Primary Committee and the DNC as evidenced in the placement of certain ads by Nov 5 was noted during our review.

During the period May 25, 1996 to May 31, 1996, Nov 5 on behalf of the Primary Committee placed ads totaling \$1,101,062. During the same period, Nov 5 on behalf of the DNC placed ads totaling \$563,253. The DNC ads and the Primary Committee ads were placed with the same 112 broadcast stations. With respect to ads placed with 109 (of the 112) stations, the checks issued by Nov 5 to the stations on behalf of the DNC or the Primary Committee were in the same amount. For example, during this period, Nov 5 placed ads at the broadcast station WCCO. Nov 5 issued check number 2146 in the amount of \$13,855 to the station on behalf of the DNC for ads placed. This check was annotated "dnc/state party committee". In addition, Nov 5 issued check number 2431 in the amount of \$13,855 to the same station on behalf of the Primary Committee for ads placed. However, it should be noted that the media reconciliation for this period indicated that only \$73,049 in ads were placed on behalf of the DNC. In response to our inquiry, a representative of Nov 5 stated, "[t]he media buy was scaled back considerably after the checks were sent to the stations. The stations kept the money and applied the surplus to the next media buy placed by the DNC. The actual amounts are reflected in the media reconciliations previously provided to you."

Even though the DNC's media flight "was scaled back considerably" the initial placement of the ads indicates coordination with ads placed on behalf of the Primary Committee.

Furthermore, for other DNC media flights and Primary Committee media flights both covering the same time period, Primary Committee and DNC ads were placed at the same stations, however, the amounts charged by the stations were not exactly the same with respect to DNC ads versus Primary Committee ads as placed.

Another indicator of coordination between the Primary Committee and the DNC involves a standard form memorandum for authorization of production and time

<sup>12</sup> Near the end of each ad a "PAID FOR BY ..." appears superimposed on the video portion, for the DNC ad the payer is the DNC or a state party organization, for the Primary Committee ad, the payer is the Primary Committee.

purchased. One section of this memorandum states "The cost will be allocated a \_\_\_\_\_% for the DNC and \_\_\_\_\_% for Clinton/Gore '96." The next line states "attorneys to determine." The following individuals were named recipients of this memorandum: Peter Knight (Primary Committee - Campaign Manager), Ted Carter (Primary Committee - Chief Operating Officer/Deputy Campaign Manager), Harold Ickes (then White House Deputy Chief of Staff), B.J. Thornberry (DNC Chief of Staff), Bill Knapp (Media Consultant, SKO/Nov 5), Jeff King (DNC Finance Division), Doug Sosnik (White House Political Affairs Director), Brad Marshall (DNC Chief Financial Officer), Lyn Utrecht (Primary Committee 's General Counsel) and Joan Pollitt (Treasurer - Primary Committee).

One authorization memorandum, dated July 3, 1996, from Harold Ickes and Doug Sosnik to Jennifer O'Connor (then Special Assistant to the President) authorized SKO to produce 1 spot. Within the section entitled "other" the memorandum states:

Tobacco <sup>13</sup>

- 1) C-G buy - \$617,000 - 7/9 - 7/16
- 2) DNC buy - \$1.1 [million] - 7/10 - 7/16
- 3) dubbing and shipping - c-g - \$5,000
- 4) production - \$14,000 - c-g

With respect to allocation, the memorandum states "attorneys to determine".

Nov 5 placed Primary Committee ads totaling \$468,682 (First Time) and \$915,627 (Hold) during the period July 9, 1996 through July 16, 1996 and July 11, 1996 through July 18, 1996 respectively. Nov 5 placed DNC ads totaling \$457,030 during the period July 10, 1996 through July 16, 1996. The Primary Committee ad "First Time" addresses children trying smoking for the first time. The DNC ad "Enough" includes, among other topics, school anti-drug programs.

In *First Time*, President Clinton's stated position to "stop ads that teach our children to smoke" is contrasted to Dole's stated position of opposing an FDA limit on tobacco ads that appeal to children and his position that "cigarettes aren't necessarily addictive" and presents to the viewer a choice "Bob Dole or President Clinton who's really protecting our children?" The DNC ad, entitled *Enough* (the audio and video portion is very similar to DNC ads "Another" and "Increased" which also ran in late June and early July, 1996) contrasts President Clinton's stated accomplishments in the areas of immigration, crime, and school anti-drug programs to stated positions attributed to republicans or Dole/Gingrich such as opposing the protection of U.S. workers from replacement by foreign workers and the stated consequences of "the Dole Gingrich budget" such as to repeal 100,000 new police and less funding for school anti-drug programs. The DNC ad concludes with "only President Clinton's plan protects our jobs our values."

<sup>13</sup> The Audit staff is not in possession of an ad(s) entitled "tobacco" in VHS format.

The Primary ad mentions Bob Dole and his views which are contrasted to President Clinton's - the DNC ad mentions the Dole Gingrich budget and Dole Gingrich attempts to cut funding to programs endorsed by President Clinton. The former presents a stated choice Dole or Clinton, while the DNC ad presents the clear message that "only President Clinton's plan protects our jobs our values." In the opinion of the Audit staff, both ads are designed to garner public support for a certain candidate, namely President Clinton and diminish public support for Bob Dole. A detailed discussion of the content of all 37 DNC ads aired during the primary period is included below.

Another indicator of coordination is contained in an authorization memorandum from Jennifer O'Connor (then Special Assistant to the President) to Peter Knight, B.J. Thornberry, Brad Marshall, Ted Carter, Joan Pollitt, Lyn Utrecht and Joe Sandler (General Counsel of the DNC), with a copy going to Harold Ickes. This memorandum relates, in part, "Harold has authorized payment of the following Squier/Knapp/Ochs/ invoices with corresponding authorization forms. Authorization is to pay only costs which meet the DNC and Re-elect policies, including travel policies."<sup>14</sup> The memorandum listed authorizations to purchase both production and air time with respect to the DNC and the Primary Committee.

### Polling<sup>15</sup>

In response to an Audit staff inquiry concerning various polls conducted on behalf of the DNC and the Primary Committee, Mark Penn, as president of PSA, stated in an affidavit that

"beginning in April 1995 until November 1996, I presented polling results at meetings held at the White House residence, generally on a weekly basis. The results were presented simultaneously to the representatives of Clinton/Gore, the White House and the DNC who were in attendance at these meetings."

Mr. Penn also states he presented polling results to Senator Chris Dodd and Donald Fowler, Co-Chairmen of the DNC, at separate briefings.

In response to our inquiry, Joseph E. Sandler, General Counsel of the DNC, in a letter, dated April 8, 1998, to Lyn Utrecht, General Counsel of the Primary Committee stated, in part:

"this will respond to your request for information about the distribution of information from polls conducted by Penn, Schoen & Berland (formerly known as Penn & Schoen) jointly for the Democratic

<sup>14</sup> The Audit staff has not reviewed any of these "policy" documents at this time.

<sup>15</sup> The Regulations, at 11 CFR 106.4 - Allocation of Polling Expenses - provides for the sharing of poll results and allocation of costs related thereto.

National Committee ("DNC") and either Clinton/Gore '96 Primary Committee or Clinton/Gore '96 General Committee, the costs of polls have been shared by the DNC and one of the Clinton/Gore committees.

The purpose of these polls, conducted during 1995 and 1996, was to determine the Democratic Party's message and political strategy for purposes both of creating Party communications, including Party-sponsored media and Party-created campaign materials, and of developing message and strategy for the field operations run by the state Democratic Parties, with assistance and partial funding by the DNC, on behalf of the entire Democratic ticket in the 1996 general election.

I am advised that, to these ends:

(1) All poll results were made available in full to the DNC's media consultants (Squier/Knapp/Ochs, Message Advisors, Sheinkopf & Associates and Marius Penczner, and November 5 Group) who created Party issue advertising for the DNC and Democratic state party committees, advertising which was run in 1995 and 1996."

In the Audit staff's opinion, the above items discussed under Production, Ad Placement and Polling demonstrate that coordination between the White House, DNC, SKO, Nov 5 and the Primary Committee existed with respect to the development and placement of both Primary Committee and DNC media ads.

### THE TV ADS

The information discussed above was gleaned from our review of bank records, media flight reconciliations for time buys (prepared by SKO or Nov 5), affidavits and invoices issued by the broadcast stations, internal documents prepared by the Primary Committee related to the planning and purchase of TV air time, production invoices and related documents, most of which were obtained as a result of subpoenas issued by the Commission to SKO and NOV 5 and their bank, and the Primary Committee. Also obtained via subpoena were video tapes represented to contain all ads placed or run on behalf of the Primary Committee or the General Committee; video tapes represented to contain all ads paid for or run on behalf of the DNC or any state or local party committee, or associated in any way with the DNC or any state or local party committee and related to any transactions in two bank accounts used by SKO and Nov 5 for the period April 1, 1995 through November 5, 1996. In response to these subpoenas the Audit staff received a total of 13 video cassettes containing 13 Primary Committee ads, 53 General Committee ads, and 812 DNC ads.<sup>16</sup>

<sup>16</sup> In the case of the DNC ads, there appears to be 59 ads which were then duplicated for use by various state party organizations. The content of the ads used by the various state parties are identical except for the 2 U.S.C. 441d(a)(3) statement (e.g., paid for by the Ohio Democratic Party).

As noted in the previous sections, there was apparently coordination between the DNC and the Primary Committee concerning the production and placement of television ads during the period from April 1995 to August 1996. The Final Report of the Committee on Governmental Affairs, United States Senate - Investigation of Illegal or Improper Activities in Connection with 1996 Federal Election Campaigns (the Senate Report) provides additional information. According to the report, representatives from the White House, the DNC, and Clinton/Gore would meet at the White House approximately once a week to discuss media, polling, speech writing and policy and issue positioning.<sup>17</sup> In July, 1995, it was first explained that DNC funds would be use to pay for ads during the primary campaign period.<sup>18</sup> According to testimony provided by Richard Morris, the General Counsel of the DNC and the General Counsel of the Primary Committee "laid down the rules of what advertisements—of what the content of advertisements and the timing of the media buys could be in connection with the Democratic National Committee advertising and in connection with the Clinton-Gore advertising."<sup>19</sup> Finally, Exhibit 5-6 of the Senate Report - a memo for the President, Vice President, Panetta, Ickes, Lieberman, Lewis and Sosnik only, apparently dated February 22, 1996, sets forth the amount of funds relative to DNC media buys and "CG" media buys from February 1996 through May 28, 1996. In summarizing the amounts for DNC and CG buys, this language is included:

"8. Total Clinton Gore Money through May 28: \$2.5 mil.

1. Unless Alexander is nominated and we cannot use DNC money to attack him.
2. If Dole is nominated, we need no additional CG money for media before May 28 since we can attack Dole with DNC money

<sup>17</sup> Senate Report at page 116, citing Morris deposition, p. 124.

<sup>18</sup> According to media records, the DNC ads first ran between 8/18/95-8/31/95.

<sup>19</sup> Morris deposition, pp. 117-18 as cited in the Senate Report.

9. Total DNC money now through May 28, \$15,733,000"

The placement cost for DNC media buys for the period 2/13/96 through 5/31/96 was about \$12 million; the placement cost for Primary Committee media buys for the period 3/8/96 through 5/31/96 was \$1.72 million.

Notwithstanding the excerpts from the Senate Report cited above, the evidence developed during Audit fieldwork, in the Audit staff's opinion, demonstrates that coordination existed between the DNC and the Primary Committee concerning the production of ads and the purchase of broadcast time to air those ads.

Our review of 37 DNC ads made available and which, according to station invoices and the media firms' reconciliations of DNC buys, ran during the primary campaign period indicates that President Clinton, the candidate, was clearly identified in these ads, and that the ads appeared to convey electioneering messages.

A review of the audio and video portions of each of the 37 DNC ads found that the candidate in addition to being featured in the video portion of ads is referred to during the audio portion as "President Clinton", "the 42nd president", "the president" - in one ad, the candidate's voice is the entire audio portion.

SAME AUDIO AND SAME VIDEO AS PRIMARY COMMITTEE ADS

In the case of three separate DNC ads which ran during the period 8-15-96 through 8-28-96, the audio and video content of the DNC ads are exact facsimiles<sup>20</sup> of three separate Primary Committee ads (and nearly identical to a fourth) which ran during the period 8-2-96 through 8-21-96. The ad number, name of ad and text appear at Exhibit #1. The DNC paid nearly \$2.1 million to run these ads (plus one additional - Risky, discussed below) during the period beginning two weeks prior to the candidate's nomination at the convention. In August, 1996, the Primary Committee using its ads with the same content as the DNC's, paid \$4.1 million to run ad flights containing these ads.

Two pairs of ads (P11<sup>21</sup> REAL TICKET CG13-30 & D795 DOLE/GINGRICH DNC1228-30; P12 NOBODY CG14-30 & D796 THEM DNC1229-30) raise the question of who should be in the oval office given the stated consequences "if it were Bob Dole sitting here [in the Oval Office]." The last pair (P13 BACK CG09-30 & D794 SCHEME DNC1227-30) conveys to the viewer - "president clinton meeting our challenges bob dole gambling with our future." In the Audit staff's opinion, all of the above ads contain an

<sup>20</sup> Near the end of each ad a "PAID FOR BY ..." appears superimposed on the video portion, for the DNC ads the payer is the DNC or a state party organization, for the Primary Committee ads, the payer is the Primary Committee.

<sup>21</sup> This identifier was assigned by the Audit staff to denote a Primary Committee ad (e.g., P1 through P13); similarly to denote a DNC ad, the Audit staff assigned identifiers D1 through D812.

electioneering message - the content of each ad is designed to urge the public to elect a certain candidate - namely President Clinton instead of Bob Dole.

### CLINTON'S POSITIONS VS DOLE'S POSITIONS

The Audit staff identified five DNC ads which aired during 1996 in which the candidate's position on the budget, Medicare, education, taxes, assault weapons, welfare, children, the economy is juxtaposed to Dole's positions or Dole's legislative record (see Exhibit #2 for text of ads). Three of the five ads (No, Proof, and Facts) ran between 3/29/96 and 5/3/96 in flights involving \$5 million in placement costs to broadcast stations. The voice-over relates to the viewer "Dole says no to the Clinton's plans it's time to say yes to the Clinton plans yes to America's families."

The fourth ad, entitled Economy, discusses the President's position on jobs, unemployment benefits, women-owned companies, job training and interest rates and points out that under "the Dole GOP bill" and "a Dole amendment" these areas of the economy would suffer. This scenario is then contrasted with information on "today['s]" economy - record construction jobs, lower mortgage rates, new jobs - highlighting "the President's plan for a better future."

The fifth ad in this category, entitled Risky, contrasts the President's tax cut or tax proposals which would benefit working families against Dole's legislative record on taxes and the purported effect of these taxes on Medicare, education and the environment. The Economy and Risky ads ran during the period 7/24/96 through 8/28/96 in flights where the air time charges totaled nearly \$4 million (Economy \$2.0 million; Risky \$1.94 million in same flight with Them mentioned above).

Here again, as was the case in the previous discussion, the viewer is presented with a choice between two candidates—the President and his stated accomplishments and proposals shown as favorable versus Dole and his record as stated and possible consequences of his positions and proposals.

### CLINTON'S POSITIONS VS "DOLE GINGRICH" POSITIONS

The third category of ads classified by the Audit staff involved 12 ads in which the President's record and/or positions are compared to the record and/or positions or proposals represented as associated with "the Dole Gingrich budget plan," "Dole Gingrich attack ad," and "Dole and Gingrich" voting record or proposals. These ads, the text of which is at Exhibit #3, portrays the President's stated accomplishments on topics such as Medicare, education, taxes, environment, budget, and immigration compared to the attempts and seemingly undesirable effects of actions or proposed actions attributed to Dole Gingrich. These ads ran in flights which aired during the period from 4/12/96 through 7-19-96 (one ad Table also ran during 1/18/96-2/1/96); the placement cost for

flights totaled \$18 million. Although Dole is "coupled" with Gingrich in these ads, during this time period Dole was the "presumptive nominee." The message conveyed to the viewer is a choice between the President and his policies and Dole.

#### CLINTON'S POSITIONS VS "THE REPUBLICANS'" POSITIONS

During the primary period mainly from 8/16/95 to 1/24/96,<sup>22</sup> 13 DNC ads were aired that discussed President Clinton's position on topics such as Medicare, education, taxes, welfare reform, environment, family medical leave, and a balanced budget; the placement cost for flights during this period containing these ads was \$13.35 million. Against these positions, the stated positions, goals, and consequences of various proposals tied to "republicans in Congress", the republican budget, or just "republicans" are discussed (see Exhibit #4). In 7 of these ads, although not mentioned in the audio portion by name, Dole is pictured at least once during the video portion.

The remaining four DNC ads, entitled Dreams, Victims, Challenge, Welfare, are thematic in nature and present topics such as the President's college tuition tax cut, the President's balanced budget, the President's plan for welfare reform, and the President's plan to address women victims of domestic abuse (see Exhibit #5). Three of the four DNC ads ran in flights during the period 2/13/96 through 3/27/96; the DNC ad, entitled Dreams ran 6/12/96 through 6/18/96. President Clinton is featured at least twice in the video portion of each ad, and "the President's plan" or proposals made by the President are mentioned in the voice-over or audio portion of each ad.

It is the opinion of the Audit staff that, based on information analyzed to date, the placement of DNC ads was coordinated with the placement of the Primary Committee ads. Further, the DNC ad campaign was developed, implemented, and coordinated with the Primary Committee. Finally, it is the opinion of the Audit staff that the cost of the DNC ad campaign, calculated at \$46,546,476 (placement costs of \$42,373,336 plus commissions of \$4,173,339) using records currently available, should be viewed as an in-kind contribution to the Primary Committee or the General Committee.

The topic of the cost of DNC ads being viewed as in-kind contributions to the Primary Committee was discussed briefly at the conference held at the close of audit fieldwork. The General Counsel of the Primary Committee stated that the Commission's regulations and advisory opinions, and court decisions permit issue advertising by the DNC and strongly disagreed with the Audit staff's opinion that media ads placed and aired on behalf of the DNC represent an in-kind contribution to the Primary Committee and applicable to the overall expenditure limitation.

<sup>22</sup> Two DNC ads, entitled Help and Stop, ran between 3/29/96 and 5/31/96.

**Recommendation #2**

The Audit staff recommends that, within 60 calendar days of service of this memorandum, the Primary Committee demonstrate that the media program described above does not constitute an in-kind contribution from the DNC to either the Primary Committee or the General Committee. The demonstration should include evidence that the DNC media program was not coordinated with either the Primary Committee or the General Committee and that the ads aired did not contain an electioneering message. Absent such a demonstration, the Audit staff will recommend that the Commission determine that an in-kind contribution in the amount of \$46,546,476 has been received by the Primary Committee or the General Committee. If it is determined that the contribution was received by the Primary Committee, the amount will be attributed to the Primary Committee's spending limitation.

**B. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES**

Section 9032.9(a) of Title 11 of the Code of Federal Regulations defines, in part, a qualified campaign expense as one incurred by or on behalf of the candidate from the date the individual became a candidate through the last day of the candidate's eligibility; made in connection with his or her campaign for nomination.

Section 9033.11(a) of Title 11 of the Code of Federal Regulations states, in part, that each candidate shall have the burden of proving that disbursements made by the candidate or his or her authorized committee(s) or persons authorized to make expenditures on behalf of the candidate or committee(s) are qualified campaign expenses as defined in 11 CFR 9032.9.

Section 9033.11(b)(1) of Title 11 of the Code of Federal Regulations, in part, that for disbursements in excess of \$200 to a payee, the candidate shall present a canceled check negotiated by the payee and either: A receipted bill from the payee that states the purpose of the disbursement; or if such receipt is not available, one of the following documents generated by the payee: a bill, invoice, or voucher that states the purpose of the disbursement; or a voucher or contemporaneous memorandum from the candidate or the committee that states the purpose of the disbursement; or the candidate or committee may present collateral evidence to document the qualified campaign expense. Such collateral evidence may include, but is not limited to: Evidence demonstrating that the expenditure is part of an identifiable program or project which is otherwise sufficiently documented such as a disbursement which is one of a number of documented disbursements relating to a campaign mailing or to the operation of a campaign office; or evidence that the disbursement is covered by a pre-established written campaign committee policy. If the purpose of the disbursement is not stated in the accompanying documentation, it must be indicated on the canceled check.

Section 9034.4(e)(1) of Title 11 of the Code of Federal Regulations states that any expenditure for goods or services that are used exclusively for the primary election campaign shall be attributed to the expenditure limit for the primary. Any

expenditure for goods or services that are used exclusively for the general election campaign shall be attributed to the general election limit.

Section 9034.4(e)(3) of Title 11 of the Code of Federal Regulations states that overhead expenditures and payroll costs incurred in connection with state or national campaign offices, shall be attributed according to when the usage occurs or the work is performed. Expenses for usage of offices or work performed on or before the date of the candidate's nomination shall be attributed to the primary election, except for periods when the office is used only by persons working exclusively on general election campaign preparations.

Section 9034.4(a) of Title 11 of the Code of Federal Regulations, states that all contributions received by an individual from the date he or she becomes a candidate and all matching payments received by the candidate shall be used only to defray qualified campaign expenses or to repay loans or otherwise restore funds (other than contributions which were received and expended to defray qualified campaign expenses) which were used to defray qualified campaign expenses.

Section 9034.4(a)(5)(ii) of Title 11 of the Code of Federal Regulations, states that gifts and monetary bonuses shall be considered qualified campaign expenses, provided that all monetary bonuses for committee employees and consultants in recognition for campaign-related activities or services are provided for pursuant to a written contract made prior to the date of ineligibility and are paid no later than thirty days after the date of ineligibility.

Section 9034.4(b)(8) of Title 11 of the Code of Federal Regulations, states that the cost of lost or misplaced items may be considered a nonqualified campaign expense. Factors considered by the Commission in making this determination shall include, but not be limited to, whether the committee demonstrates that it made conscientious efforts to safeguard the missing equipment; whether the committee sought or obtained insurance; the type of equipment involved; and the number and value of items that were lost.

Section 9034.4(b)(3) of Title 11 of the Code of Federal Regulations states, that any expenses incurred after a candidate's date of ineligibility are not qualified campaign expenses except to the extent permitted under 11 CFR 9034.4(a)(3). In addition, any expenses incurred before the candidate's date of ineligibility for goods and services to be received after the candidate's date of ineligibility, or for property, services, or facilities used to benefit the candidate's general election campaign, are not qualified campaign expenses.

Section 9038(b)(2)(A) of Title 26 of the United States Code states that if the Commission determines that any amount of any payment made to a candidate from the matching payment account was used for any purpose other than to defray the qualified campaign expenses with respect to which such payment was made it shall notify such candidate of the amount so used, and the candidate shall pay to the Secretary an amount equal to such amount.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states that the amount of any repayment sought under this section shall bear the same ratio to the total amount determined to have been used for non-qualified campaign expenses as the amount of matching funds certified to the candidate bears to the candidate's total deposits, as of 90 days after the candidate's date of ineligibility.

Section 9038.2(a)(2) of Title 11 of the Code of Federal Regulations states that the Commission will notify the candidate of any repayment determinations made under this section as possible, but not later than three years after the close of the matching payment period. The Commission's issuance of the audit report to the candidate under 11 CFR §9038.1(d) will constitute notification for purposes of this section.

1. General Election Expenses Paid by the Primary Committee

During our review of vendor files, expenses were noted that appeared to further the Candidate's general election campaign for election but were paid by the Primary Committee. Each is discussed briefly below:

a. Bismarck Enterprises

The Primary Committee paid Bismarck Enterprises \$22,984<sup>23</sup> for catering services provided on August 29, 1996 at the Democratic National Convention (the Convention). These services were provided after the Candidate's date of ineligibility (August 28, 1996) and therefore are considered a general election expense. It appears that the Primary Committee is contending that the Candidate's date of ineligibility was not until August 29, 1996, the last day of the Convention, because under Democratic Party rules the nominee for the office of President does not become the candidate of the Democratic Party of the United States until he or she has completed his or her acceptance speech to the Convention.<sup>24</sup>

The Primary Committee provided a letter from Sam Karatas, Director of Food and Beverage Bismarck Enterprises, which states that the Primary Committee utilized several suites and banquet facilities during the Convention on the dates of August 26 through August 29. Mr. Karatas states further that food and beverages were provided to nineteen suites during this period. He also states that on August 27, a luncheon buffet was prepared for Mrs. Gore. Mr. Karatas adds that a small banquet was also set up in the President's waiting lounge on August 29 before he went on the main stage.

<sup>23</sup> The catering charges include equipment rental and gratuities which were pro rated by the Audit staff based on a percentage of the catering charges for August 29th to the total catering charges.

<sup>24</sup> The Primary Committee submitted a letter challenging the Commission's determination that the candidate's date of ineligibility is August 28, 1996. The Committee argued that the date should be August 29, 1996. The Commission denied the Primary Committee's request.

It is the opinion of the Audit staff, that neither Mr. Karatas nor the Primary Committee has provided documentation or evidence which demonstrates that the catering services provided on August 29, 1996, the day after the President received the nomination, were goods and services used exclusively for the Candidate's primary election campaign.

b. AT&T Capital Corporation

The Primary Committee entered into a lease agreement with AT&T Capital Corporation for equipment. The term of the lease was for 18 months commencing on June 1, 1995. It appears, based on documentation, that the Clinton/Gore '96 General Committee, Inc. was to have assumed the lease after the Candidate's date of ineligibility (August 28, 1996) through November, 1996. The total lease payments including sales tax were \$422,826. The General Committee's allocable share was \$94,133<sup>25</sup> of which the General Committee paid only \$30,397. The balance, \$63,736, paid by the Primary Committee should have been paid by the General Committee. The Primary Committee in its response acknowledged that the General Committee should have paid \$93,464, based on its calculation.<sup>26</sup> Accordingly, the Audit staff included on the Primary Committee statement of Net Outstanding Campaign Obligations an account receivable from the General Committee in the amount of \$63,736.

c. Salary and Overhead

The Primary Committee paid salary and overhead expenses, totaling \$340,579, that were incurred subsequent to the Candidate's date of ineligibility. For example, the Primary Committee paid all costs associated with the Little Rock office for the period August 29, 1996 through December 5, 1996. Staff in this office, according to Committee records, were working on both primary contribution processing and GELAC contribution processing. These expenses are attributable to the general election and should have been paid by the General Committee/GELAC pursuant to 11 CFR 9034.4(e)(3). The Audit staff determined based on our review of the Primary Committee's records pertaining to its allocation of salary and overhead that \$192,288 in expenses are attributable to the General Committee and \$148,291 to the GELAC. With respect to that portion of salary and overhead expenses attributable to GELAC (\$148,291), it should be noted that the GELAC as of January 31, 1997 reimbursed the Primary Committee \$94,972. Therefore, expenses for salary and overhead, totaling \$53,319 (\$148,291 - 94,972), is due the Primary Committee from the GELAC and \$192,288 is due the Primary Committee from the General Committee.

Schedules were provided to the Primary Committee at a conference held on March 18, 1998. The Primary Committee has not responded other

<sup>25</sup> This amount was derived by pro rating \$30,397 for three days in August, 1996 plus \$30,397 each for September, October and November.

<sup>26</sup> The difference between Audit and the Primary Committee is \$669.

than to state it believes winding down expenses, consisting of salary and overhead, should be permissible subsequent to the Candidate's date of ineligibility.

**Recommendation #3**

The Audit staff recommends that, within 60 calendar days of service of this memorandum, the Primary Committee provide:

- (a) With respect to item 1(a) evidence or documentation that the goods and services were used exclusively for the Candidate's primary election campaign or evidence that the General Committee has reimbursed the Primary Committee \$22,984.
- (b) With respect to item 1(b) evidence that the balance, \$63,736, paid by the Primary Committee is not exclusively related to the general campaign or evidence that the Primary Committee has received a reimbursement from the General Committee for \$63,736.
- (c) With respect to item 1(c) documentation which demonstrates that the expenses for salary and overhead paid by the Primary Committee subsequent to the Candidates date of ineligibility represented the cost of goods and services used exclusively for the Primary election campaign or evidence that the Primary Committee has received reimbursements from the General Committee (\$192,288) and the GELAC (\$53,319).

Absent adequate documentation to demonstrate the expenses at issue were, in fact, exclusive to the primary election campaign or evidence that the Primary Committee has received reimbursement from the General Committee, totaling \$279,008 (\$192,288 + \$63,736 + \$22,984), and \$53,319 from the GELAC, the Audit staff will recommend that the Commission make a determination that the Primary Committee make a pro-rata repayment of \$105,036 ( $\$332,327 \times .316062$ ) to the United States Treasury pursuant to 26 U.S.C. 9038(b)(2).<sup>27</sup>

<sup>27</sup> This figure (.316062) represents the Primary Committee's repayment ratio, as calculated pursuant to 11 CFR §9038.2(b)(2)(iii).

## 2. Apparent Bonus Payments

A consulting agreement was entered into between the Primary Committee and Morris & Carrick, Inc. (M&C). The effective date of the agreement was February 1, 1996 through August 30, 1996. M&C billed the Primary Committee on a monthly basis. In accordance with the agreement, the Primary Committee paid M&C \$15,000 per month.

In addition, M&C billed the Primary Committee on August 30, 1996 for an additional \$30,000, which the Primary Committee paid on September 30, 1996. The invoice to the Primary Committee was annotated "Remaining Primary Invoice." Although the agreement stated it may be further extended, renewed or amended upon written agreement of the parties, there was no provision in the original agreement or any amendments to the agreement which covered this billing and/or payment made on September 30, 1996. A Primary Committee representative stated the vendor performed extra work than was originally anticipated and, therefore, was paid an additional \$30,000.

Subsequently, the Primary Committee submitted a written response which stated that the \$30,000 payment was actually owed by the General Committee, not the Primary Committee. M&C was actually owed a total of \$95,000 under the General Committee contract, but was only paid \$65,000 on October 10, 1996 by the General Committee. Further, the Primary Committee states because M&C mistakenly billed the \$30,000 to the Primary Committee, committee staff paid the invoice as directed. Although the Primary Committee stated a copy of the "misdirected invoice" was included with its response, it was not. Finally, the Primary Committee states that the General Committee will reimburse the Primary Committee \$30,000, representing the amount paid and owed to M&C.

In support of its current position, the Primary Committee provided a copy of a consulting agreement between M&C and the General Committee. This copy was not signed by either party.<sup>28</sup> Subsequently, the Primary Committee made available a copy of the "misdirected invoice."

The unsigned agreement between the General Committee and M&C specified an effective date of August 30, 1996 and a termination date of November 30, 1996. It further states M&C was to be paid \$95,000 within 30 days of execution of the agreement.

Since the General Committee's agreement appears to be effective as of August 30, 1996, it is unclear why M&C would mistakenly issue an invoice on the same date and for only \$30,000, when, in fact, the entire amount (\$95,000) to be paid,

<sup>28</sup> The Primary consulting agreement is signed by the Primary Committee and M&C.

pursuant to the agreement, was due within 30 days of execution. On September 30, 1996, when M&C did directly issue an invoice to the General Committee, it was for only \$65,000.

It is the opinion of the Audit staff that, based on the information provided to date, that the \$30,000 invoice was not intended for the General Committee. Further, the payment appears to represent a bonus that was not provided for in its agreement with the Primary Committee and was not paid within the time period provided at 11 CFR 9034.4(a)(5)(ii).

#### **Recommendation #4**

The Audit staff recommends that, within 60 calendar days of service of this memorandum, the Primary Committee provide a copy of the executed contract (signed by all parties and dated) between the General Committee and Morris & Carrick. In addition, a signed statement from M & C which explains in detail why M & C billed the Primary Committee for \$30,000 on August 30, 1996, when the Primary Committee obligations under its contract were fulfilled.

Absent adequate documentation to demonstrate the expenses at issue were, in fact qualified campaign expenses, the Audit staff will recommend that the Commission make a determination that the Primary Committee make a pro-rata repayment of \$9,482 ( $\$30,000 \times .316062$ ) to the United States Treasury pursuant to 11 CFR §9038.2(b)(2).

#### **C. SHERATON NEW YORK HOTEL & TOWERS**

Section 441a(a)(2)(A) of Title 2 of the United States Code states that no multicandidate political committee shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$5,000.

Section 441a(a)(7)(B)(i) of Title 2 of the United States Code states that expenditures made by any person in cooperation, consultation, or concert, with, or at the request or suggestion of, a candidate, his authorized political committees, or their agents, shall be considered to be contribution to such candidate.

Section 100.7(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that the term contribution includes the following payments, services or other things of value: a gift, subscription, loan advance or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office. Section 100.7(a)(1)(iii)(A) of Title 11 of the Code of Federal Regulations states that for purposes of 11 CFR 100.7(a)(1), the term anything of value includes all in-kind contributions. Unless specifically exempted under 11 CFR 100.7(b), the provision of any goods or services is a contribution.

The Primary Committee made payments to the Sheraton New York Hotel & Towers (the Sheraton) totaling \$252,555. One of the payments was a wire transfer on

January 4, 1996 in amount of \$134,739, which appeared to represent a deposit. In addition, the Primary Committee received and paid an estimated bill for an event in the amount of \$117,816.

In response to the Audit staff's inquiry, the Primary Committee provided the following chronology regarding the payments made to the Sheraton. The payment of \$134,739 pertained to an event scheduled to occur in January, 1996. This event was subsequently canceled. The Sheraton sent the Primary Committee a refund of \$103,260;<sup>29</sup> a cancellation fee of \$31,479 was charged. This event was then rescheduled to February 15, 1996. On February 8, 1996, a \$117,816 payment was made to the Sheraton for the February 15, 1996 event. Finally, the Primary Committee stated the DNC invited some of its donors to the event, and based on the number of DNC attendees and the expenses incurred by DNC staff, the DNC paid \$19,832. The Primary Committee provided a copy of an invoice issued by the Sheraton to the Primary Committee, dated March 8, 1996, in the amount of \$142,322 plus a copy of an estimated bill issued by the Sheraton to the DNC for \$19,832.

Costs itemized on the DNC's estimated bill were: dinner (\$13,200), floral (\$446), linen (\$185), stanchions, ropes, pipe and drape, (\$220), Clinton-Gore/DNC office rental (\$610), Clinton-Gore/DNC office phone/fax/printer (\$671), and sleeping rooms (\$4,500). Comparison of the charges listed on the Primary Committee's invoice versus the charges listed on the estimated DNC bill, revealed that except for dinners (\$13,200) floral (\$446) and linen (\$185), the remaining categories of itemized charges on the DNC's estimated bill do not appear on the Primary Committee's invoice — the Primary Committee's invoice apparently represents all charges billed by the Sheraton for the event. The expenses representing the difference, \$6,001 (\$19,832 - 13,831) appear to be related to the event, even though not included on the Sheraton's March 8, 1996 invoice. Consequently, absent additional documentation, the Audit staff cannot determine how, or if, expenses totaling \$10,675,<sup>30</sup> as reflected on the Sheraton's invoice issued to the Primary Committee were paid.

The cost of the event appears to be a qualified campaign expense; the Sheraton invoice references a "Clinton/Gore '96 Reception/Dinner." Further, this event does not appear to represent a joint fundraising effort in which the DNC could have been a participant. Absent documentation demonstrating that the expenses paid by the DNC are expenses NOT in connection with the candidate's campaign for nomination, the Audit

<sup>29</sup> A copy of the refund check was provided.

<sup>30</sup> Apparent total cost of event, \$142,322 less \$117,816 paid by the Primary Committee, less \$13,831 paid by the DNC which can be associated with charges reflected on the invoice for the event.

staff considers the amount paid by the DNC to be an in-kind contribution. Further, the value of the apparent in-kind contribution (\$19,832) has been added to the amount of expenditures subject to the overall limitation.

### **Recommendation #5**

The Audit staff recommends that, within 60 calendar days of service of this memorandum, the Primary Committee provide:

- a) The final invoice issued by the Sheraton to the DNC;
- b) an explanation as to the method used to "allocate" the costs of the event between the Primary Committee and the DNC, along with documentation to support that "allocation" ratio used;
- c) documentation, in the form of canceled check(s) that demonstrates the \$10,675 in event expenses were paid;
- d) documentation to show how the expenses paid by the DNC are expenses not in connection with the candidate's campaign for nomination, and thus not an in-kind contribution to the Primary Committee.

### **D. EXPENDITURE LIMITATION**

Sections 441a(b)(1)(A) and (c) of Title 2 of the United States Code state, in part, that no candidate for the office of President of the United States who is eligible under section 9033 to receive payments from the Secretary of the Treasury may make expenditures in excess of \$10,000,000 in the campaign for nomination for election to such office as adjusted by the Consumer Price Index published each year by the Bureau of Labor Statistics of the Department of Labor.

Section 9035(a) of Title 26 of the Internal Revenue Code states, in part, that no candidate shall knowingly incur qualified campaign expenses in excess of the expenditure limitation applicable under section 441a (b)(1)(A) of Title 2.

Section 9032.9(a) of Title 11 of the Code of Federal Regulations states, in part, that a qualified campaign expense is one incurred by or on behalf of the candidate from the date the individual became a candidate through the last day of the candidate's eligibility; made in connection with his campaign for nomination; and neither the incurrence nor the payment of which constitutes a violation of any law of the United States or the State in which the expense is incurred or paid.

Sections 9033.11(a) and (b)(2)(A) of Title 11 of the Code of Federal Regulations state, in part, that each candidate shall have the burden of proving that disbursements made by the candidate or his authorized committee are qualified campaign expenses as defined in 11 CFR 9032.9. For disbursements in excess of \$200 to a payee,

the candidate shall present a canceled check negotiated by the payee and either a bill, an invoice or voucher from the payee stating the purpose of the disbursement.

Sections 9034.4(e)(5) of Title 26 of the Code of Federal Regulations states, in relevant part, that the production costs for media communications that are broadcast both before and after the date of the candidate's nomination shall be attributed 50% to the primary limitation and 50% to the general election limitation.

Sections 9038.2(b)(2)(i)(A) and (ii)(A) of Title 11 of the Code of Federal Regulations state, in part, that the Commission may determine that amount(s) of any payments made to a candidate from the matching payment account were used for the purposes other than to defray qualified campaign expenses. Further, an example of a Commission repayment determination under paragraph (b)(2) includes determinations that a candidate, a candidate's authorized committee(s) or agents have made expenditures in excess of the limitations set forth in 11 CFR 9035.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states, in part, that the amount of any repayment under this section shall bear the same ratio to the total amount determined to have been used for non qualified campaign expenses as the amount of matching funds certified to the candidate bears to the candidate's total deposits, as of 90 days after the candidate's date of ineligibility.

The expenditure limitation for the 1996 Primary election for nomination for the office of President of the United States was \$30,910,000.

From its inception through December 31, 1997 the Primary Committee reported net operating expenditures (subject to the limitation) of \$30,727,701.

Our analysis of expenditures subject to the limit indicated, based on information made available during fieldwork, that the limitation had been exceeded by \$46,067,914.

Certain adjustments made by the Audit staff to reported expenditures subject to the limitation are detailed below.

1. Additional Expenditures Considered Exempt Legal and Accounting

Based on a review of the Primary Committee's expense printouts and work sheets, it was determined that there were additional expenses as well as other headquarter departments that were entitled to the compliance exemption. The total amount of expenditures that were considered exempt legal and accounting is \$363,668. This amount will be subtracted from expenditures subject to the limit pending amendments to be filed by the Primary Committee.

2. Expenses in the Legal and Matching Fund Department Not Considered 100% Exempt Compliance

The Primary Committee allocated as 100% exempt compliance all expenses incurred in the legal and matching fund cost group. Legal and accounting expenses incurred solely for the purpose of ensuring compliance with the Federal Election Campaign Act do not count against the overall expenditure limitation. In addition, costs associated with the preparation of matching fund submissions are considered exempt legal and accounting. However, "costs associated with the preparation of matching fund submissions" does not include data entry or batching contributions for deposit. Likewise, the cost of legal services, including the review and enforcement of committee contracts, is not viewed as 100% exempt compliance. The Primary Committee did not charge any of these expenses to the expenditure limitation.

The Primary Committee's contributions were processed in its Little Rock, Arkansas Headquarters. The contribution process included not only those activities that relate to the preparation of matching fund submissions, but also included data entry and batching of contributions for deposit. Its legal department performed duties such as negotiating contracts as well as the collection of rent due from a tenant, both of which are not related solely to ensuring compliance with the Act.

In response, the Primary Committee states "[t]he Committee has allocated 100% of staff attorney Ken Stern's time to accounting since he primarily provided services not directly related to compliance." In addition, the response states that "other staff attorneys were assigned to compliance activities with minimal time committed to other services."

With respect to the Matching Fund Submission Department, the Primary Committee stated that "all of the costs allocated by the Committee to Department 145 [Matching Fund Department] were related to processing contributions." The Primary Committee submitted a calculation for staff who performed data entry, batch processing and other duties unrelated to matching funds. The Primary Committee calculated 17.33% of the duties performed by Matching Fund Submission staff related to accounting.

The Primary Committee appears to concur with the Audit staff that the legal department and the matching fund department were not performing 100% exempt activities. However, the Financial Control and Compliance manual provides that each allocable cost group must be allocated by a single method on a consistent basis. The Primary Committee may not allocate costs within a particular group by different methods, such as allocating the payroll of some individuals by the standard 10 percent method, and other individuals by a committee-developed percentage supported by records indicating the functions and duties of the individuals. However, different cost groups may be allocated by different methods.

Therefore, it is the opinion of the Audit staff, that an 85% exempt legal and accounting allocation for the legal department and the matching fund department is a reasonable and consistent method of allocating the activities in these cost groups. This allocation will add \$395,187 to the overall expenditure limitation.

3. Refunds and Rebates Incorrectly Offset Against the Expenditure Limitation

The Committee allocated costs associated with its headquarter departments either 100%, 85% or 5% to exempt legal and accounting and the remainder, was allocated to operating expenditures. Therefore to insure the accuracy of the calculation of expenditures subject to the limit, if an asset or service when purchased or provided was allocated 85% to exempt legal and accounting and 15% to operating, the proceeds from the sale of that asset or a refund related to that service should be credited 85% exempt legal and accounting and the remaining 15% to operating. During our review of refunds and rebates received by the Primary Committee, it was determined that certain amounts were offset 100% against the overall expenditure limitation. The correct allocation of refunds and rebates will add \$170,857 to the overall expenditure limitation.

4. Amounts Due the General Committee and the GELAC

a. Salary and Overhead

The GELAC paid the Primary Committee \$151,757 for salary and overhead of Primary Committee staff who worked on GELAC activities prior to the Candidate's date of ineligibility. However, except for the periods when the office is staffed only by persons working exclusively on general election campaign preparations are such expenses considered a general election expense. Expenses for salary and overhead that were allocated between the Primary Committee and the GELAC were not exclusively general election in nature, and therefore were primary expenses. Based on our review of GELAC documentation, we determined that \$62,879 in salary and overhead expenses were associated with staff working exclusively on GELAC. Accordingly, the Primary should reimburse the GELAC \$88,878 (\$151,757 - \$62,879). Of this amount (\$88,878) only \$23,033 was applied by the Primary Committee as an offset to expenditures subject to the limitation. Therefore, the Audit staff has added \$23,033 to the overall expenditure limitation.

b. Sublease Payments

The Primary Committee paid rent to 1100 21st Association Ltd. Partnership for the months of July and August. The General Committee paid rent for office space for the remaining months of September through November. During the lease period the Primary Committee subleased a portion of its office space to the firm Dickstein, Shapiro, Morin & Oshinsky LLP (DS). The sublease rent payments, totaling \$76,716, were deposited into the Primary Committee's account and subsequently offset against expenditures subject to the limitation. The Audit staff calculated that the Primary Committee owes the General Committee \$39,451.<sup>31</sup> The Primary Committee in its

<sup>31</sup> This amount was derived by pro rating \$14,033 for three days in August, 1996 plus \$14,033 each for September, October, and November less the amount of rent (\$4,007) paid by the Primary Committee which should have been paid by the General Committee for the period 8/29/96-8/31/96.

response calculated that the Primary Committee owed the General Committee \$43,005. However, the Primary Committee did not consider in its calculation rent that the General Committee should have paid for August 29 - 31. This will add \$39,451 to the overall expenditure limitation.

Shown below is the calculation of the expenditures subject to the limit..

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CLINTON/GORE '96 PRIMARY COMMITTEE, INC.  
ANALYSIS OF EXPENDITURES SUBJECT TO LIMITATION

|   |                     |
|---|---------------------|
| AMOUNT REPORTED BY THE COMMITTEE AT DECEMBER 31, 1997   | \$30,727,701        |
| LESS:   |                     |
| ADDITIONAL HEADQUARTER DEPARTMENTS AND EXPENDITURES<br>CONSIDERED EXEMPT LEGAL AND ACCOUNTING<br>FOR AMENDMENTS TO BE FILED | \$363,668 A/        |
| EXPENDITURES SUBJECT TO THE LIMIT PENDING<br>AMENDMENTS TO BE FILED   | <u>\$30,364,033</u> |
| ADD:  |                     |
| DEBTS OWED BY THE COMMITTEE AT DECEMBER 31, 1997  | \$104,759 B/        |
| 15% FOR LEGAL DEPARTMENT AND MATCHING FUND DEPARTMENT<br>NOT CONSIDERED 100% EXEMPT COMPLIANCE                              | \$395,187 C/        |
| REFUNDS, REBATES AND THE SALE OF ASSETS<br>INCORRECTLY OFFSET AGAINST THE LIMIT   | \$170,857 D/        |
| PAYABLE TO CLINTON/GORE '96 GENERAL ELECTION COMPLIANCE<br>FUND FOR SALARY AND OVERHEAD PRE DOI                             | \$23,033 E/         |
| DUE TO CLINTON/GORE '96 GENERAL COMMITTEE   | \$85,487 F/         |
| CONVENTION TRAVEL   | \$46,036            |
| SUBLEASE PAYMENTS   | \$39,451            |
| IN-KIND CONTRIBUTION FOR EVENT COSTS  | <u>\$19,832 G/</u>  |
| SUBTOTAL  | \$31,163,188        |

LESS:

|  |              |
|--|--------------|
| DEBTS OWED TO THE COMMITTEE AT DECEMBER 31, 1997 | \$361,860 H/ |
|--|--------------|

|  |             |
|--|-------------|
| AMOUNT DUE FROM CLINTON/GORE '96 GENERAL COMMITTEE | \$87,159 I/ |
|--|-------------|

|                     |          |
|---------------------|----------|
| BISMARK ENTERPRISES | \$22,984 |
|---------------------|----------|

|                    |          |
|--------------------|----------|
| AT & T PHONE LEASE | \$63,736 |
|--------------------|----------|

|     |       |
|-----|-------|
| GTE | \$439 |
|-----|-------|

|   |              |
|---|--------------|
| EXPENDITURES SUBJECT TO PRIMARY SPENDING LIMITATION AT<br>DECEMBER 31, 1997 | \$30,714,169 |
|---|--------------|

|                                |              |
|--------------------------------|--------------|
| PRIMARY EXPENDITURE LIMITATION | \$30,910,000 |
|--------------------------------|--------------|

|                     |                    |
|---------------------|--------------------|
| AMOUNT OVER/(UNDER) | <u>(\$195,831)</u> |
|---------------------|--------------------|

If the DNC Media expenses (see Finding III.A.) are determined to be a contribution in-kind to the Primary Committee, the following will result:

|                    |              |
|--------------------|--------------|
| DNC MEDIA EXPENSES | \$46,263,745 |
|--------------------|--------------|

|   |              |
|---|--------------|
| EXPENDITURES SUBJECT TO PRIMARY SPENDING LIMITATION | \$76,977,914 |
|---|--------------|

|                                |                     |
|--------------------------------|---------------------|
| PRIMARY EXPENDITURE LIMITATION | <u>\$30,910,000</u> |
|--------------------------------|---------------------|

|   |                   |
|---|-------------------|
| EXPENDITURES IN EXCESS OF PRIMARY SPENDING LIMITATION | <u>46,067,914</u> |
|---|-------------------|

## FOOTNOTES

- A. This amount represents additional headquarter departments as well as expenses that are considered exempt legal and accounting subject to amendments to be filed. See Finding III.D.1.
- B. Debts owed by the Primary Committee as reported in its December 31, 1997 Disclosure Reports Schedule D.
- C. This amount represents 15% of the legal department and the matching fund department expenses that, based on a review of salary and overhead, are not exclusively matching funds or legal costs. See Finding III.D.2.
- D. This amount is for refunds, rebates and the sale of assets that were offset 100% against the limit by the Primary Committee. However, the documentation indicated that only a portion of the refund (15% to 95%) should have been offset against the expenditure limit. See Finding III.D.3.
- E. This amount represents the amount, pre date of eligibility, of salary and overhead expenses that were offset against the limit, the balance was an offset to exempt legal and accounting expenses. See Finding III.D.4.a.
- F. This represents travel from the Democratic National Convention paid by the General Committee (see General Committee's ECM, Finding III.C.1.) and sublease payments (see Finding III.D.4.b).
- G. This represents an apparent in-kind contribution by the DNC for event expenses. See Finding III.C.
- H. A refund from the November 5 Group is due the Primary Committee according to its Year End 1997 disclosure report.
- I. The amount due from the General Committee for Bismarck Enterprises and AT&T are amounts paid by the Primary Committee but should have been paid by the General Committee. See Finding III.B.1.a. and b. The GTE amount of \$489 is a Primary refund that was mistakenly deposited into the General Committee's bank account.

**Recommendation #6**

The Audit staff recommends that, within 60 calendar days of service of this memorandum, the Primary Committee demonstrate that it has not exceeded the spending limitation at 2 U.S.C. 441a (b)(1)(A). Absent such a demonstration, the Audit staff will recommend that the Commission determine that \$13,412,198<sup>32</sup> is repayable to the U.S. Treasury.<sup>33</sup> If it is determined that the in-kind contribution is on behalf of the General Committee there would be no repayment by the Primary Committee, since the limitation at 2 U.S.C. 441a(b)(1)(A) would not have been exceeded.

**E. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS**

Section 9034.5 (a) of Title 11 of the Code of Federal Regulations requires that within 15 calendar days after the candidate's date of ineligibility, the candidate shall submit a statement of net outstanding campaign obligations which reflects the total of all net outstanding obligations for qualified campaign expenses plus estimated necessary winding down costs.

In addition, Section 9034.1 (b) of Title 11 of the Code of Federal Regulations states, in part, that if on the date of ineligibility a candidate has net outstanding campaign obligations as defined under 11 CFR §9034.5, that candidate may continue to receive matching payments provided that on the date of payment there are remaining net outstanding campaign obligations.

President Clinton's date of ineligibility was August 28, 1996. The Audit staff reviewed the Committee's financial activity through December 31, 1997, analyzed winding down costs, and prepared the Statement of Net Outstanding Campaign Obligations which appears below.

<sup>32</sup> This amount may require a downward adjustment pending final resolution of the repayment matters noted at Finding III.B.

<sup>33</sup> It should be noted that the pro-rata repayment based on the amount in excess of the limitation would be \$14,560,317 ( $\$46,067,914 \times .316062$ ), however, the repayment amount can not exceed the amount of matching funds received by the Primary Committee. The Primary Committee received \$13,412,198 in matching funds.

CLINTON/GORE '96 PRIMARY COMMITTEE, INC.  
 STATEMENT OF NET OUTSTANDING CAMPAIGN OBLIGATIONS  
 as of August 28, 1996  
 as determined through December 31, 1997

## ASSETS

|                                    |              |     |               |
|------------------------------------|--------------|-----|---------------|
| Cash in Bank                       | \$ 3,390,406 | (1) |               |
| Cash on Hand                       | 292          |     |               |
| Investments in U.S. Treasuries     | 2,146,940    |     |               |
| Accounts Receivable:               |              |     |               |
| Accrued Interest                   | 9,171        | (2) |               |
| Vendor Deposits                    | 54,933       | (3) |               |
| Due from GELAC                     | 151,757      | (4) |               |
| Clinton/Gore '96 General Committee | 87,159       | (5) |               |
| Vendor Refunds                     | 385,568      | (6) |               |
| Capital Assets                     | 497,427      | (7) |               |
| <br>Total Assets                   |              |     | <br>6,723,653 |

## OBLIGATIONS

|  |           |      |                      |
|--|-----------|------|----------------------|
| Accounts Payable for Qualified Campaign Expenses                       | 4,316,509 | (8)  |                      |
| Refunds of Contributions   | 7,275     | (9)  |                      |
| Federal Income Tax   | 165,480   | (10) |                      |
| Amount Due GELAC   | 88,879    | (11) |                      |
| Amount Due General Committee   | 46,036    | (12) |                      |
| Amount Due U.S. Treasury - Stale-dated Checks                          | 38,164    | (13) |                      |
| Actual Winding Down Expenses<br>December 6, 1996 - December 31, 1997   | 1,822,556 |      |                      |
| Estimated Winding Down Expenses<br>January 1, 1998 - December 31, 1999 | 1,170,900 | (14) |                      |
| <br>Total Obligations  |           |      | <br><u>7,655,799</u> |
| Net Outstanding Campaign Obligations (Deficit)                         |           |      | <u>(932,146)</u>     |

## FOOTNOTES TO NOCO STATEMENT

- (1) Audited Bank Reconciliation at 8/28/96 which includes stale-dated checks dated on or before date of ineligibility added back to cash in bank balance.
- (2) Accrued interest income is recognized from 7/25/96 - 8/28/96.
- (3) This amount represents an analysis of Committee's work sheet dated 4/25/97 relative to outstanding deposits; however, it appears that the Committee failed to recognize the receipt and deposit of certain pre-date of ineligibility deposits.
- (4) This amount reflects GELAC reimbursements to the Primary Committee for GELAC salaries and overhead expenses initially paid by the Primary Committee on or before 8/28/96. An offset (\$88,879) was calculated by the Audit staff to reflect the expenses of individuals not working exclusively on GELAC matters (see Note 11).
- (5) This amount represents: (a) Primary Committee payment (\$22,984) to Bismarck Enterprises for catering services provided to the General Committee; (b) an amount (\$63,736) paid by the Primary Committee through July 1996 for an AT&T phone lease in excess of the amount as calculated per Primary Committee workpapers; (c) a GTE refund (\$439) addressed to the Primary Committee but erroneously deposited by the General Committee.
- (6) Amounts deposited post date of ineligibility for transactions made on or before date of ineligibility; also includes a reported outstanding amount (\$361,860) at year-end '97 from Squier Knapp Ochs (SKO).
- (7) Recognition of gross capital assets including software and licensing fees less depreciation of 40%.
- (8) Reflects actual accounts payable through 12/31/97 absent a reduction to accounts payable for post date of ineligibility stale-dated checks and winding down costs.
- (9) Represents contributions dated 8/28/96 or before and refunded to contributors.
- (10) This amount reflects the tax liability for investment income and interest from deposits realized and recognized for the period 1/1/96-8/28/96.
- (11) This offsets the GELAC reimbursement to the Primary Committee at Note 4; the difference of \$62,878 represents the allowable reimbursement by GELAC for staff working 100% on GELAC matters prior to date of ineligibility.
- (12) This amount represents; (a) DNC Convention related travel on TWA paid (\$40,900) by the General Committee; (b) a leg of DNC Convention travel from Chicago to Cape Girardeau, MO relative to the Primary Committee that was paid (\$5,136) by the General Committee.
- (13) Primary Committee's outstanding checks to vendors or contributors that have not been cashed.
- (14) This amount is based on the Primary Committee's actual 1997 year-end winding down expenses.

**F. PRIMARY STALE-DATED CHECKS**

Section 9038.6 of Title 11 of the Code of Federal Regulations states that if the committee has checks outstanding to creditors or contributions that have not been cashed, the committee shall notify the Commission. The committee shall inform the Commission of its efforts to locate the payees, if such efforts have been necessary, and its efforts to encourage the payees to cash the outstanding checks. The committee shall also submit a check for the total amount of such outstanding checks, payable to the United States Treasury.

During our review of the Primary Committee's disbursement activity, the Audit staff identified 97 stale-dated checks totaling \$38,164 dated between April 27, 1995 and December 16, 1997. The Audit staff provided a schedule of the stale-dated check to the Primary Committee on Thursday, March 19, 1998.

**Recommendation #7**

The Audit staff recommends that within 60 calendar days of service of this memorandum, the Primary Committee present evidence that the checks were not outstanding (i.e., copies of the front and back of the negotiated checks), or that the outstanding checks were voided and/or that no Primary Committee obligation exists.

Absent such documentation, the Audit staff will recommend that the Commission determine that \$38,164 is payable to the United States Treasury.

**DNC AND PRIMARY COMMITTEE ADS HAVING SAME AUDIO AND VIDEO  
CONTENT**

**[NOTE: NON-ITALIC IS VOICE-OVER]**

**P11 REAL TICKET CG13-30  
D795 DOLE/GINGRICH DNC1228-30**

THE OVAL OFFICE IF IT WERE BOB DOLE SITTING HERE HE WOULD HAVE ALREADY CUT MEDICARE 270,000,000,000 DOLLARS TOXIC POLLUTERS OFF THE HOOK NO TO THE BRADY BILL 60,000 CRIMINALS ALLOWED TO BUY HANDGUNS AND SLASHED EDUCATION PRESIDENT CLINTON STOOD FIRM AND DEFENDED OUR VALUES BUT NEXT YEAR IF NEWT GINGRICH CONTROLS CONGRESS AND HIS PARTNER BOB DOLE ENTERS THE OVAL OFFICE THERE WILL BE NOBODY THERE TO STOP THEM

**P12 NOBODY CG14-30  
D796 THEM DNC1229-30**

THE OVAL OFFICE IF DOLE SITS HERE AND GINGRICH RUNS CONGRESS WHAT COULD HAPPEN MEDICARE SLASHED WOMEN'S RIGHT TO CHOOSE GONE EDUCATION SCHOOL DRUG PROGRAMS CUT AND A RISKY 550,000,000,000 DOLLAR PLAN BALLOONS THE DEFICIT RAISES INTEREST RATES HURTS THE ECONOMY PRESIDENT CLINTON SAYS BALANCE THE BUDGET CUT TAXES FOR FAMILIES COLLEGE TUITION STANDS UP TO DOLE AND GINGRICH BUT IF DOLE WINS AND GINGRICH RUNS CONGRESS THERE WILL BE NOBODY THERE TO STOP THEM

**P13 BACK<sup>1</sup> CG09-30  
D794 SCHEME DNC1227-30**

AMERICA'S ECONOMY IS COMING BACK 10,000,000 NEW JOBS WE MAKE MORE AUTOS THAN JAPAN HIGHER MINIMUM WAGE NOW BOB DOLE ENDANGERS IT ALL WITH A RISKY LAST MINUTE SCHEME THAT WOULD BALLOON THE DEFICIT HIGHER INTEREST RATES HURT FAMILIES PRESIDENT CLINTON'S PLAN TAX CUTS FOR FAMILIES COLLEGE TUITION TAX CREDITS HEALTH INSURANCE YOU DON'T LOSE CHANGING JOBS WELFARE REFORM GROWTH PRESIDENT CLINTON MEETING OUR CHALLENGES BOB DOLE GAMBLING WITH OUR FUTURE

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<sup>1</sup> A Primary Committee ad entitled GAMBLE is nearly identical to BACK and SCHEME, the differences are: raise interest rates instead of higher interest rates; harm the economy instead of hurt families.

DNC ADS - CLINTON'S POSITIONS VS DOLE'S POSITIONS  
[NOTE: DOLE SPEAKING IN ITALICS, NON-ITALIC IS VOICE-OVER]

D303 NO DNC550-30

*WE SENT HIM THE FIRST BALANCED BUDGET IN A GENERATION AND HE VETOED IT  
WE'RE GOING TO VETO BILL CLINTON* THE FACTS THE PRESIDENT PROPOSES A  
BALANCED BUDGET PROTECTING MEDICARE EDUCATION THE ENVIRONMENT BUT DOLE  
IS VOTING NO THE PRESIDENT CUTS TAXES FOR 40,000,000 AMERICANS DOLE  
VOTES NO THE PRESIDENT BANS ASSAULT WEAPONS DEMANDS WORK FOR WELFARE  
WHILE PROTECTING KIDS DOLE SAYS NO TO THE CLINTON PLANS IT'S TIME TO  
SAY YES TO THE CLINTON PLANS YES TO AMERICA'S FAMILIES

D324 PROOF DNC580-30

*WE SENT HIM THE FIRST BALANCED BUDGET IN A GENERATION AND HE VETOED IT  
WE'RE GOING TO VETO BILL CLINTON* THE FACTS THE PRESIDENT PROPOSES A  
BALANCED BUDGET PROTECTING MEDICARE EDUCATION THE ENVIRONMENT BUT DOLE  
IS VOTING NO THE PRESIDENT CUTS TAXES FOR 40,000,000 AMERICANS DOLE  
VOTES NO THE PRESIDENT BANS ASSAULT WEAPONS DEMANDS WORK FOR WELFARE  
WHILE PROTECTING KIDS DOLE SAYS NO TO THE CLINTON PLANS IT'S TIME TO  
SAY YES TO THE CLINTON PLANS YES TO AMERICA'S FAMILIES

D346 FACTS DNC602-30

*WE SENT HIM THE FIRST BALANCED BUDGET IN A GENERATION AND HE VETOED IT  
WE'RE GOING TO VETO BILL CLINTON* THE FACTS THE PRESIDENT PROPOSES A  
BALANCED BUDGET PROTECTING MEDICARE EDUCATION THE ENVIRONMENT BUT DOLE  
IS VOTING NO THE PRESIDENT CUTS TAXES FOR 40,000,000 AMERICANS DOLE  
VOTES NO THE PRESIDENT DEMANDS WORK FOR WELFARE  
WHILE PROTECTING KIDS DOLE SAYS NO TO THE CLINTON PLAN IT'S TIME TO  
SAY YES TO THE CLINTON PLAN YES TO OUR FAMILIES AND OUR VALUES

D767 ECONOMY DNC1200-30

REMEMBER RECESSION JOBS LOST THE DOLE GOP BILL TRIES TO DENY NEARLY  
1,000,000 FAMILIES UNEMPLOYMENT BENEFITS HIGHER INTEREST RATES  
10,000,000 UNEMPLOYED WITH A DOLE AMENDMENT REPUBLICANS TRY TO BLOCK  
MORE JOB TRAINING TODAY WE MAKE MORE AUTOS THAN JAPAN RECORD  
CONSTRUCTION JOBS MORTGAGE RATES DOWN 10,000,000 NEW JOBS MORE WOMEN  
OWNED COMPANIES THAN EVER THE PRESIDENT'S PLAN EDUCATION JOB TRAINING  
ECONOMIC GROWTH FOR A BETTER FUTURE

Exit Conference Memorandum on  
Clinton/Gore '96 Primary Committee, Inc.

EXHIBIT #2  
Page 2 of 2

D797 RISKY DNC1230-30

BOB DOLE ATTACKING THE PRESIDENT BUT PRESIDENT CLINTON CUT TAXES FOR  
15,000,000 WORKING FAMILIES PROPOSES TAX CREDITS FOR COLLEGE BOB DOLE  
VOTED TO RAISE PAYROLL TAXES SOCIAL SECURITY TAXES THE 90 INCOME TAX  
INCREASE 900,000,000,000 IN HIGHER TAXES HIS RISKY TAX SCHEME TO HELP  
PAY FOR IT EXPERTS SAY DOLE AND GINGRICH WILL HAVE TO CUT MEDICARE  
EDUCATION ENVIRONMENT BOB DOLE RAISING TAXES TRYING TO CUT MEDICARE  
RUNNING FROM HIS RECORD

12 DNC ADS - CLINTON'S POSITIONS VS "DOLE GINGRICH" POSITIONS  
[NOTE: NON-ITALIC IS VOICE-OVER]

D212 TABLE DNC420-30

THE GINGRICH DOLE BUDGET PLAN DOCTORS CHARGING MORE THAN MEDICARE  
ALLOWS HEADSTART SCHOOL ANTI DRUG HELP SLASHED CHILDREN DENIED  
ADEQUATE MEDICAL CARE TOXIC POLLUTERS LET OFF THE HOOK BUT PRESIDENT  
CLINTON HAS PUT A BALANCED BUDGET PLAN ON THE TABLE PROTECTING  
MEDICARE MEDICAID EDUCATION ENVIRONMENT THE PRESIDENT CUTS TAXES AND  
PROTECTS OUR VALUES BUT DOLE AND GINGRICH JUST WALKED AWAY THAT'S  
WRONG THEY MUST AGREE TO BALANCE THE BUDGET WITHOUT HURTING AMERICA'S  
FAMILIES

D348 SUPPORTS DNC610-30

THIS DOLE GINGRICH ATTACK AD HAS THE FACTS ALL WRONG PRESIDENT CLINTON  
SUPPORTS TAX CREDITS FOR FAMILIES WITH CHILDREN BUT WHEN DOLE AND  
GINGRICH INSISTED ON RAISING TAXES ON WORKING FAMILIES HUGE CUTS IN  
MEDICARE EDUCATION CUTS IN TOXIC CLEANUP CLINTON VETOED IT THE  
PRESIDENT'S PLAN PRESERVE MEDICARE DEDUCT COLLEGE TUITION SAVE ANTI  
DRUG PROGRAMS BUT DOLE GINGRICH VOTE NO NO TO AMERICA'S FAMILIES THE  
PRESIDENT'S PLAN MEETING OUR CHALLENGES PROTECTING OUR VALUES

D379 PHOTO DNC641-30

60,000 FELONS AND FUGITIVES TRIED TO BUY HANDGUNS BUT COULDN'T BECAUSE  
PRESIDENT CLINTON PASSED THE BRADY BILL FIVE DAY WAITS BACKGROUND  
CHECKS BUT DOLE AND GINGRICH VOTED NO 100,000 NEW POLICE BECAUSE  
PRESIDENT CLINTON DELIVERED DOLE AND GINGRICH VOTED NO WANT TO REPEAL  
IT STRENGTHEN SCHOOL ANTI DRUG PROGRAMS PRESIDENT CLINTON DID IT DOLE  
AND GINGRICH NO AGAIN THEIR OLD WAYS DON'T WORK PRESIDENT CLINTON'S  
PLANS THE NEW WAY MEETING OUR CHALLENGES PROTECTING OUR VALUES

D404 BACKGROUND DNC680-30

60,000 FELONS AND FUGITIVES TRIED TO BUY HANDGUNS BUT COULDN'T BECAUSE  
PRESIDENT CLINTON PASSED THE BRADY BILL BACKGROUND CHECKS DOLE AND  
GINGRICH VOTED NO AND NOW WANT TO REPEAL THE ASSAULT WEAPONS BAN  
100,000 NEW POLICE PRESIDENT CLINTON DELIVERED DOLE AND GINGRICH VOTED  
NO STRENGTHEN SCHOOL ANTI DRUG PROGRAMS PRESIDENT CLINTON DID IT  
REPUBLICANS PLAN TO CUT HELP TO SCHOOLS OLD WAYS DON'T WORK PRESIDENT  
CLINTON'S PLANS THE NEW WAY MEETING OUR CHALLENGES PROTECTING OUR  
VALUES

D433 FINISH DNC710-30

HEADSTART STUDENT LOANS TOXIC CLEANUP EXTRA POLICE ANTI DRUG PROGRAMS  
DOLE GINGRICH WANTED THEM CUT NOW THEY'RE SAFE PROTECTED IN THE 96  
BUDGET BECAUSE THE PRESIDENT STOOD FIRM DOLE GINGRICH DEADLOCK  
GRIDLOCK SHUT DOWNS THE PRESIDENT'S PLAN FINISH THE JOB BALANCE THE  
BUDGET REFORM WELFARE CUT TAXES PROTECT MEDICARE PRESIDENT CLINTON  
SAYS GET IT DONE MEET OUR CHALLENGES PROTECT OUR VALUES

D458 SAME DNC740-30

AMERICA'S VALUES HEADSTART STUDENT LOANS TOXIC CLEANUP EXTRA POLICE  
PROTECTED IN THE BUDGET AGREEMENT THE PRESIDENT STOOD FIRM DOLE  
GINGRICH'S LATEST PLAN INCLUDES TAX HIKE ON WORKING FAMILIES UP TO  
18,000,000 CHILDREN FACE HEALTHCARE CUTS MEDICARE SLASHED  
167,000,000,000 THEN DOLE RESIGNS LEAVING BEHIND GRIDLOCK HE AND  
GINGRICH CREATED THE PRESIDENT'S PLAN POLITICS MUST WAIT BALANCE THE  
BUDGET REFORM WELFARE PROTECT OUR VALUES

D483 SIDE DNC770-30

AMERICA'S VALUES THE PRESIDENT BANS DEADLY ASSAULT WEAPONS DOLE  
GINGRICH VOTE NO THE PRESIDENT PASSES FAMILY LEAVE DOLE GINGRICH VOTE  
NO THE PRESIDENT STANDS FIRM A BALANCED BUDGET PROTECTS MEDICARE  
DISABLED CHILDREN NO AGAIN NOW DOLE RESIGNS LEAVES GRIDLOCK HE AND  
GINGRICH CREATED THE PRESIDENT'S PLAN BALANCE THE BUDGET PROTECT  
MEDICARE REFORM WELFARE DO OUR DUTY TO OUR PARENTS OUR CHILDREN  
AMERICA'S VALUES

D557 DEFEND DNC950-30

PROTECTING FAMILIES FOR MILLIONS OF WORKING FAMILIES PRESIDENT CLINTON  
CUT TAXES THE DOLE GINGRICH BUDGET TRIED TO RAISE TAXES ON 8,000,000  
THE DOLE GINGRICH BUDGET WOULD HAVE SLASHED MEDICARE 270,000,000,000  
CUT COLLEGE SCHOLARSHIPS THE PRESIDENT DEFENDED OUR VALUES PROTECTED  
MEDICARE AND NOW A TAX CUT OF 1,500 DOLLARS A YEAR FOR THE FIRST TWO  
YEARS OF COLLEGE MOST COMMUNITY COLLEGES FREE HELP ADULTS GO BACK TO  
SCHOOL THE PRESIDENT'S PLAN PROTECTS OUR VALUES

D627 ANOTHER DNC1001-30

ANOTHER NEGATIVE REPUBLICAN AD WRONG PRESIDENT CLINTON INCREASED  
BORDER PATROLS 40 PERCENT TO CATCH ILLEGAL IMMIGRANTS RECORD NUMBER OF  
DEPORTATIONS NO WELFARE FOR ILLEGAL ALIENS REPUBLICANS OPPOSED  
PROTECTING US WORKERS FROM REPLACEMENT BY FOREIGN WORKERS THE DOLE  
GINGRICH BUDGET TRIED TO REPEAL 100,000 NEW POLICE DOLE GINGRICH TRIED  
TO SLASH SCHOOL ANTI DRUG PROGRAMS ONLY PRESIDENT CLINTON'S PLAN  
PROTECTS OUR JOBS OUR VALUES

D592 VALUES DNC1040-30

AMERICAN VALUES DO OUR DUTY TO OUR PARENTS PRESIDENT CLINTON PROTECTS  
MEDICARE THE DOLE GINGRICH BUDGET TRIED TO CUT MEDICARE  
270,000,000,000 PROTECT FAMILIES PRESIDENT CLINTON CUT TAXES FOR  
MILLIONS OF WORKING FAMILIES THE DOLE GINGRICH BUDGET TRIED TO RAISE  
TAXES ON 8,000,000 OF THEM OPPORTUNITY PRESIDENT CLINTON PROPOSES TAX  
BREAKS FOR TUITION THE DOLE GINGRICH BUDGET TRIED TO SLASH COLLEGE  
SCHOLARSHIPS ONLY PRESIDENT CLINTON'S PLAN MEETS OUR CHALLENGES  
PROTECTS OUR VALUES

D697 INCREASED DNC1120-30

ANOTHER NEGATIVE REPUBLICAN AD MISLEADING PRESIDENT CLINTON INCREASED  
BORDER PATROLS 40 PERCENT TO CATCH ILLEGAL IMMIGRANTS RECORD NUMBER OF  
DEPORTATIONS NO WELFARE FOR ILLEGAL ALIENS REPUBLICANS OPPOSED  
PROTECTING US WORKERS FROM REPLACEMENT BY FOREIGN WORKERS THE DOLE  
GINGRICH BUDGET TRIED TO REPEAL 100,000 NEW POLICE DOLE GINGRICH TRIED  
TO SLASH SCHOOL ANTI DRUG PROGRAMS ONLY PRESIDENT CLINTON'S PLAN  
PROTECTS OUR JOBS OUR VALUES

D732 ENOUGH DNC1160-30

ANOTHER NEGATIVE REPUBLICAN AD MISLEADING PRESIDENT CLINTON INCREASED  
BORDER PATROLS 40 PERCENT TO CATCH ILLEGAL IMMIGRANTS RECORD NUMBER OF  
DEPORTATIONS NO WELFARE FOR ILLEGAL ALIENS REPUBLICANS OPPOSED  
PROTECTING US WORKERS FROM REPLACEMENT BY FOREIGN WORKERS THE DOLE  
GINGRICH BUDGET TRIED TO REPEAL 100,000 NEW POLICE DOLE GINGRICH TRIED  
TO SLASH SCHOOL ANTI DRUG PROGRAMS ONLY PRESIDENT CLINTON'S PLAN  
PROTECTS OUR JOBS OUR VALUES

13 DNC ADS - CLINTON'S POSITIONS VS " THE REPUBLICANS' " POSITIONS  
[NOTE: NON-ITALIC IS VOICE-OVER, BOLD TYPE IS GINGRICH SPEAKING]

D1 PROTECT DNC10-30

MEDICARE LIFELINE FOR OUR ELDERLY THERE IS A WAY TO PROTECT MEDICARE BENEFITS AND BALANCE THE BUDGET PRESIDENT CLINTON WHO CUT GOVERNMENT WASTE REDUCED EXCESS SPENDING SLOWED MEDICAL INFLATION THE REPUBLICANS DISAGREE THEY WANT TO CUT MEDICARE 270 BILLION DOLLARS CHARGING ELDERLY 600 MORE A YEAR FOR MEDICAL CARE 1700 MORE FOR HOME CARE PROTECT MEDICARE BENEFITS OR CUT THEM A DECISION THAT TOUCHES US ALL

D10 MORAL DNC11-30

AS AMERICANS THERE ARE SOME THINGS WE DONE SIMPLY AND SOLELY BECAUSE THEY'RE MORAL RIGHT AND GOOD TREATING OUR ELDERLY WITH DIGNITY IS ONE OF THESE THINGS WE CREATED MEDICARE NOT BECAUSE IT WAS CHEAP OR EASY BUT BECAUSE IT WAS THE RIGHT THING TO DO THE REPUBLICANS ARE WRONG TO WANT TO CUT MEDICARE BENEFITS AND PRESIDENT CLINTON IS RIGHT TO PROTECT MEDICARE RIGHT TO DEFEND OUR DECISION AS A NATION TO DO WHAT'S MORAL GOOD AND RIGHT BY OUR ELDERLY

D19 EMMA DNC54-30

PRESERVING MEDICARE FOR THE NEXT GENERATION THE RIGHT CHOICE BUT WHAT'S THE RIGHT WAY REPUBLICANS SAY DOUBLE PREMIUMS DEDUCTIBLES NO COVERAGE IF YOU'RE UNDER SIXTY-SEVEN 270 BILLION IN CUTS BUT LESS THAN HALF THE MONEY REACHES THE MEDICARE TRUST FUND THAT'S WRONG WE CAN SECURE MEDICARE WITHOUT THESE NEW COSTS ON THE ELDERLY THAT'S THE PRESIDENT'S PLAN CUT WASTE CONTROL COSTS SAVE MEDICARE BALANCE THE BUDGET THE RIGHT CHOICE FOR OUR FAMILIES

D38 SAND DNC120-30

THERE ARE BELIEFS AND VALUES THAT TIE AMERICANS TOGETHER IN WASHINGTON THESE VALUES GET LOST IN THE TUG OF WAR BUT WHAT'S RIGHT MATTERS WORK NOT WELFARE IS RIGHT PUBLIC EDUCATION IS RIGHT MEDICARE IS RIGHT A TAX CUT FOR WORKING FAMILIES IS RIGHT THESE VALUES ARE BEHIND THE PRESIDENT'S BALANCED BUDGET PLAN VALUES REPUBLICANS IGNORE CONGRESS SHOULD JOIN THE PRESIDENT AND BACK THESE VALUES SO INSTEAD OF A TUG OF WAR WE COME TOGETHER AND DO WHAT'S RIGHT FOR OUR FAMILIES

D58 FAMILIES DNC170-30

OUR FAMILIES NEED MEDICARE BUT NOW WE LEARN THE TRUTH NOW WE DON'T GET RID OF IT IN ROUND ONE BECAUSE WE DON'T THINK THAT THAT'S POLITICALLY SMART WE DON'T THINK THAT'S THE RIGHT WAY TO GO THROUGH A TRANSITION BUT WE BELIEVE IT'S GOING TO WITHER ON THE VINE AND NOW THE REPUBLICANS IN CONGRESS WANT THE PRESIDENT TO CUT A DEAL AND JUST LET MEDICARE WITHER ON THE VINE NO DEAL THE PRESIDENT WILL VETO ANY BILL THAT CUTS MEDICARE BENEFITS EDUCATION OR HARMS THE ENVIRONMENT THE PRESIDENT BELIEVES WE MUST DO OUR DUTY BY OUR PARENTS AND PROVIDE OUR CHILDREN WITH OPPORTUNITY

D78 THREATEN DNC200-30

THE TRUTH ON MEDICARE NOW WE DON'T GET RID OF IT IN ROUND ONE BECAUSE WE DON'T THINK THAT THAT'S POLITICALLY SMART WE DON'T THINK THAT'S THE RIGHT WAY TO GO THROUGH A TRANSITION BUT WE BELIEVE IT'S GOING TO WITHER ON THE VINE MEDICARE WITHER ON THE VINE BUT PRESIDENT CLINTON WILL VETO ANY BILL THAT CUTS MEDICARE BENEFITS EDUCATION OR THE ENVIRONMENT NOW REPUBLICANS THREATEN TO CLOSE THE GOVERNMENT DOWN IF THE PRESIDENT WON'T CUT MEDICARE AND EDUCATION NO DEAL THE PRESIDENT WILL DO RIGHT BY OUR ELDERLY AND OUR CHILDREN THREAT OR NO THREAT

D120 PRESIDENTS DNC261-30

THE CONSTITUTION PRESIDENTS HAVE USED THE POWER IT GIVES THEM TO PROTECT OUR VALUES THAT'S WHY THE 42ND PRESIDENT IS STANDING FIRM FOR HIS BALANCED BUDGET PLAN THE PRESIDENT'S BALANCED BUDGET PROTECTS OUR ELDERLY REPUBLICANS IN CONGRESS CUT MEDICARE 270 BILLION DOLLARS THE PRESIDENT'S BALANCED BUDGET SECURES OPPORTUNITY FOR OUR CHILDREN REPUBLICANS CUT EDUCATION 30 BILLION THAT'S WHY THE PRESIDENT IS VETOING THE REPUBLICAN BUDGET STANDING UP FOR WE THE PEOPLE

D99 FIRM DNC270-30

THE CONSTITUTION PRESIDENTS HAVE USED THE POWER IT GIVES THEM TO PROTECT OUR VALUES THAT'S WHY THE 42ND PRESIDENT IS STANDING FIRM FOR HIS BALANCED BUDGET PLAN THE PRESIDENT'S BALANCED BUDGET PROTECTS OUR ELDERLY REPUBLICANS IN CONGRESS CUT MEDICARE 270 BILLION DOLLARS THE PRESIDENT'S BALANCED BUDGET SECURES OPPORTUNITY FOR OUR CHILDREN REPUBLICANS CUT EDUCATION 30 BILLION THAT'S WHY THE PRESIDENT IS VETOING THE REPUBLICAN BUDGET STANDING UP FOR WE THE PEOPLE

D141 PEOPLE DNC300-30

BELLE IS DOING FINE BUT MEDICARE COULD BE CUT NICHOLAS IS GOING TO COLLEGE BUT HIS SCHOLARSHIP COULD BE GONE THE STAKES IN THE BUDGET DEBATE JOSHUA'S DOING WELL BUT HELP FOR HIS DISABILITY COULD BE CUT PRESIDENT CLINTON STANDING FIRM TO PROTECT PEOPLE MATTHEW BOUGHT A HOUSE BUT WILL THE WATER BE SAFE TO DRINK MIKE HAS A JOB BUT NEW TAXES IN THE REPUBLICAN BUDGET COULD SET HIM BACK PRESIDENT CLINTON SAYS BALANCE THE BUDGET BUT PROTECT OUR FAMILIES

D163 CHILDREN DNC330-30

AMERICA'S CHILDREN 7,000,000 PUSHED TOWARD POVERTY BY HIGHER TAXES ON WORKING FAMILIES 4,000,000 CHILDREN GET SUB STANDARD HEALTH CARE EDUCATION CUT 30,000,000,000 DOLLARS ENVIRONMENTAL PROTECTION GUTTED THAT'S THE SAD TRUTH BEHIND THE REPUBLICAN BUDGET PLAN THE PRESIDENT'S SEVEN YEAR BALANCED BUDGET PROTECTS MEDICARE EDUCATION AND GIVES WORKING FAMILIES WITH CHILDREN A TAX BREAK IT'S OUR DUTY TO AMERICA'S CHILDREN AND THE PRESIDENT'S PLAN WILL MEET IT

D185 SLASH DNC390-30

AMERICA'S CHILDREN MILLIONS PUSHED TOWARD POVERTY BY HIGHER TAXES OVER A MILLION GET SUB STANDARD HEALTH CARE EDUCATION CUT 30,000,000,000 BILLION ENVIRONMENTAL PROTECTION GUTTED DRASTIC REPUBLICAN BUDGET CUTS BUT THE PRESIDENT'S PLAN PROTECTS MEDICARE MEDICAID EDUCATION ENVIRONMENT AND EVEN REPUBLICAN LEADERS AGREE IT BALANCES THE BUDGET IN SEVEN YEARS CONGRESS SHOULD NOT SLASH MEDICARE AND MEDICAID IT SHOULD BALANCE THE BUDGET AND DO OUR DUTY TO OUR CHILDREN

D429 HELP DNC705-30

FAMILY MEDICAL LEAVE SO MOTHERS CAN CARE FOR THEIR BABIES PRESIDENT CLINTON GOT IT PASSED REPUBLICANS OPPOSED IT MORE HELP FOR SMALL CLASSES TEACHING READING AND MATH PRESIDENT CLINTON GOT IT PASSED REPUBLICANS WANT TO CUT HELP TO SCHOOLS LOW COST VACCINE TO IMMUNIZE CHILDREN AGAINST DISEASE PRESIDENT CLINTON PASSED IT REPUBLICANS OPPOSE IT THE REPUBLICANS WILL DO ANYTHING ANYTHING TO STOP PRESIDENT CLINTON'S PLAN PRESIDENT CLINTON'S PLAN MEETING OUR CHALLENGES PROTECTING OUR VALUES

D299 STOP DNC540-30

ACCESS TO HEALTH INSURANCE FOR ALL PRESIDENT CLINTON'S PLAN CHILD  
SUPPORT COLLECTION FOR MOTHERS AND THEIR CHILDREN EDUCATION JOB  
TRAINING MORE POLICE WHAT PRESIDENT CLINTON AND THE DEMOCRATS WANT FOR  
AMERICA REPUBLICANS WILL STOP AT NOTHING TO STOP PRESIDENT CLINTON  
REPUBLICANS CUT SCHOOL LUNCHES CUT HEADSTART CUT CHILD HEALTHCARE  
REPUBLICANS WILL STOP AT NOTHING TO STOP PRESIDENT CLINTON STAND FIRM  
CHILDREN ARE COUNTING ON YOU

4 DNC ADS - DREAMS, VICTIMS, CHALLENGE, WELFARE  
[NOTE: NON-ITALIC IS VOICE-OVER, UNDERSCORED IS CLINTON SPEAKING]

D508 DREAMS DNC830-30

I WANT TO BE AN ARCHEOLOGIST COLLEGE PROFESSOR PALEONTOLOGIST THE  
PRESIDENT SAYS GIVE EVERY CHILD THE CHANCE FOR COLLEGE WITH A TAX CUT  
OF 1,500 DOLLARS A YEAR FOR TWO YEARS MAKING MOST COMMUNITY COLLEGES  
FREE ALL COLLEGES MORE AFFORDABLE I WANT TO BE AN OCEANOGRAPHER  
PRESCHOOL TEACHER AND FOR ADULTS A CHANCE TO LEARN FIND A BETTER JOB  
THE PRESIDENT'S TUITION TAX CUT PLAN I'M GOING TO FIND A CURE FOR  
CANCER BECAUSE YOU'RE NEVER TOO OLD TO LEARN OR TOO YOUNG TO DREAM

D276 VICTIMS DNC500-30

EVERY YEAR IN AMERICA 1,000,000 WOMEN ARE VICTIMS OF DOMESTIC ABUSE IT  
IS A VIOLATION OF OUR NATION'S VALUES IT'S PAINFUL TO SEE IT'S TIME TO  
CONFRONT IT THE PRESIDENT'S PLAN INCREASE CHILD SUPPORT ENFORCEMENT  
WORK NOT WELFARE TO ENCOURAGE STRONGER FAMILIES IMPROVE AND ENFORCE  
DOMESTIC VIOLENCE LAWS 1,000,000 WOMEN A TEST OF OUR NATIONAL  
CHARACTER A CHALLENGE WE WILL MEET

D241 CHALLENGE DNC450-30

AMERICA WAS BUILT ON CHALLENGES NOT PROMISES AND WHEN WE WORK TOGETHER  
TO MEET THEM WE NEVER FAIL IN THIS PLACE OUR RESPONSIBILITY BEGINS  
WITH BALANCING THE BUDGET IN A WAY THAT IS FAIR TO ALL AMERICANS TO  
PRESERVE THE BASIC PROTECTIONS OF MEDICARE AND MEDICAID I AM READY TO  
MEET TOMORROW AND GIVE THE AMERICAN PEOPLE THEIR BALANCED BUDGET A TAX  
CUT LOWER INTEREST RATES AND A BRIGHTER FUTURE WE SHOULD DO THAT NOW  
AND MAKE PERMANENT DEFICITS YESTERDAY'S LEGACY

D253 WELFARE DNC470-30

FAMILIES DESTROYED CHILDREN'S DREAMS LOST THE LEGACY OF OUR PRESENT  
WELFARE SYSTEM THE PRESIDENT'S PLAN INCREASE CHILD SUPPORT ENFORCEMENT  
REDUCE TEEN PREGNANCY WORK REQUIREMENTS FOR WELFARE RECIPIENTS STRICT  
TIME LIMITS ON WELFARE BENEFITS TEACH VALUES IN OUR SCHOOLS NO WORK NO  
WELFARE RESCUE CHILDREN FROM THE DESTRUCTIVE WELFARE SYSTEM WE CAN  
MAKE REAL WELFARE REFORM A REALITY IN THE LIVES OF THE AMERICAN PEOPLE

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| FLIGHT DATES     | NAME OF ADVERTISEMENT | MEDIA VENDOR | STATES       | TOTAL AMOUNT SPENT PER FLIGHT DATE PER STATE | TOTAL MONIES SPENT FOR FLIGHT DATE |
|------------------|-----------------------|--------------|--------------|--|------------------------------------|
| 8/16/95-8/31/95  | "PROTECT," "MORAL"    | SKO          | Arkansas     | 55,972.80                                    | 758,044.80                         |
|                  |                       |              | Florida      | 185,011.20                                   |                                    |
|                  |                       |              | Georgia      | 28,089.60                                    |                                    |
|                  |                       |              | Iowa         | 35,107.20                                    |                                    |
|                  |                       |              | Maryland     | 16,872                                       |                                    |
|                  |                       |              | Maine        | 36,561.60                                    |                                    |
|                  |                       |              | Missouri     | 46,579.20                                    |                                    |
|                  |                       |              | New Mexico   | 56,995.20                                    |                                    |
|                  |                       |              | New York     | 70,675.20                                    |                                    |
|                  |                       |              | Oregon       | 78,000                                       |                                    |
|                  |                       |              | Rhode Island | 57,014.40                                    |                                    |
|                  |                       |              | South Dakota | 6,244.80                                     |                                    |
|                  |                       |              | Tennessee    | 80,640                                       |                                    |
|                  |                       |              | Vermont      | 4,281.60                                     |                                    |
| 10/3/95-10/10/95 | "EMMA"                | SKO          | Arkansas     | 16,097.75                                    | 1,082,093.70                       |
|                  |                       |              | California   | 47,543.70                                    |                                    |
|                  |                       |              | Colorado     | 40,113.75                                    |                                    |
|                  |                       |              | Florida      | 119,999.25                                   |                                    |
|                  |                       |              | Iowa         | 27,393.25                                    |                                    |
|                  |                       |              | Illinois     | 30,761                                       |                                    |
|                  |                       |              | Kentucky     | 43,253.50                                    |                                    |
|                  |                       |              | Maine        | 13,556.50                                    |                                    |
|                  |                       |              | Michigan     | 87,756.25                                    |                                    |
|                  |                       |              | Minnesota    | 67,953.50                                    |                                    |
|                  |                       |              | Missouri     | 45,975.25                                    |                                    |
|                  |                       |              | New York     | 40,911.75                                    |                                    |
|                  |                       |              | Ohio         | 48,611.50                                    |                                    |
|                  |                       |              | Oregon       | 43,771.25                                    |                                    |
|                  |                       |              | Pennsylvania | 182,723                                      |                                    |
|                  |                       |              | Rhode Island | 25,745.00                                    |                                    |
|                  |                       |              | Tennessee    | 53,285.50                                    |                                    |
|                  |                       |              | Washington   | 86,397.75                                    |                                    |
|                  |                       |              | Wisconsin    | 60,244.25                                    |                                    |

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|                   |        |     |              |            |              |
|-------------------|--------|-----|--------------|------------|--------------|
| 10/11/95-10/17/95 | "EMMA" | SKO | Arkansas     | 18,045.25  | 1,094,586.20 |
|                   |        |     | California   | 54,910.95  |              |
|                   |        |     | Colorado     | 55,812.50  |              |
|                   |        |     | Florida      | 125,837    |              |
|                   |        |     | Iowa         | 27,963.25  |              |
|                   |        |     | Illinois     | 35,401.75  |              |
|                   |        |     | Kentucky     | 25,830.50  |              |
|                   |        |     | Maine        | 13,608.75  |              |
|                   |        |     | Michigan     | 99,626.50  |              |
|                   |        |     | Minnesota    | 65,540.50  |              |
|                   |        |     | Missouri     | 45,543     |              |
|                   |        |     | New York     | 40,042.50  |              |
|                   |        |     | Ohio         | 65,445.50  |              |
|                   |        |     | Oregon       | 35,435     |              |
|                   |        |     | Pennsylvania | 177,863.75 |              |
|                   |        |     | Rhode Island | 24,985     |              |
|                   |        |     | Tennessee    | 38,275.50  |              |
|                   |        |     | Washington   | 83,875.50  |              |
|                   |        |     | Wisconsin    | 60,543.50  |              |
| 10/19/95-10/25/95 | "SAND" | SKO | Arkansas     | 16,791.25  | 1,018,639.50 |
|                   |        |     | California   | 50,696.75  |              |
|                   |        |     | Colorado     | 50,753.75  |              |
|                   |        |     | Florida      | 109,653.75 |              |
|                   |        |     | Iowa         | 29,412     |              |
|                   |        |     | Illinois     | 32,076.75  |              |
|                   |        |     | Kentucky     | 16,351.25  |              |
|                   |        |     | Maine        | 15,542     |              |
|                   |        |     | Michigan     | 83,756     |              |
|                   |        |     | Minnesota    | 58,311     |              |
|                   |        |     | Missouri     | 36,684.25  |              |
|                   |        |     | New York     | 43,023.75  |              |
|                   |        |     | Ohio         | 51,456.75  |              |
|                   |        |     | Oregon       | 38,403.75  |              |





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|                   |          |     |   |  |              |
|-------------------|----------|-----|---|--|--------------|
| 11/17/95-11/30/95 | "FIRM"   | SKO | Arkansas<br>California<br>Colorado<br>DC<br>Florida<br>Iowa<br>Illinois<br>Kentucky<br>Louisiana<br>Maine<br>Michigan<br>Minnesota<br>Missouri<br>Montana<br>New York<br>Ohio<br>Pennsylvania<br>Rhode Island<br>Tennessee<br>Washington<br>Wisconsin | 28,319.50<br>139,802<br>71,677.50<br>9,025<br>155,139.75<br>48,545<br>50,312<br>43,875.75<br>37,667.50<br>30,381<br>137,417.50<br>71,777.25<br>74,741.25<br>13,174.60<br>40,774.00<br>172,149.50<br>252,438.75<br>37,320.75<br>88,297.75<br>96,201.75<br>78,593.50 | 1,677,631.60 |
| 12/5/95-12/14/95  | "PEOPLE" | SKO | Arkansas<br>California<br>Colorado<br>Florida<br>Iowa<br>Illinois<br>Kentucky<br>Louisiana<br>Maine<br>Michigan<br>Minnesota<br>Missouri  | 21,579.25<br>144,328.75<br>49,775.25<br>131,921.75<br>38,745.75<br>32,746.50<br>40,237.25<br>30,005.75<br>21,156.50<br>91,014.75<br>48,777.75<br>61,820.30   | 1,259,005.55 |

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|                   |            |     |  |  |              |
|-------------------|------------|-----|--|--|--------------|
| 12/17/95-12/22/95 | "CHILDREN" | SKO | New York<br>Ohio<br>Oregon<br>Pennsylvania<br>Rhode Island<br>Tennessee<br>Washington<br>Wisconsin   | 24,533.75<br>118,712<br>46,103.50<br>181,169.75<br>20,672<br>46,493<br>56,192.50<br>53,019.50  | 1,194,000    |
|                   |            |     | Arkansas<br>California<br>Colorado<br>Florida<br>Iowa<br>Illinois<br>Kentucky<br>Louisiana<br>Maine<br>Michigan<br>Minnesota<br>Missouri<br>New York<br>Ohio<br>Oregon<br>Pennsylvania<br>Rhode Island<br>Tennessee<br>Washington<br>Wisconsin | 21,037.75<br>101,659.50<br>48,972.50<br>133,688.75<br>32,266.75<br>30,400<br>39,786<br>28,628.25<br>21,417.75<br>91,276<br>44,474.25<br>62,632.55<br>24,182.25<br>123,713.75<br>52,915<br>163,233.75<br>22,382<br>43,942.25<br>59,033<br>48,425.45 |              |
| 1/10/96-1/16/96   | "SLASH"    | SKO | Arkansas<br>California<br>Colorado<br>Connecticut<br>Florida   | 24,415<br>117,990<br>53,333<br>40,873.75<br>212,239.50   | 1,663,293.55 |

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|                 |                  |     |              |              |
|-----------------|------------------|-----|--------------|--------------|
|                 |                  |     | Iowa         | 44,108.50    |
|                 |                  |     | Illinois     | 119,058.75   |
|                 |                  |     | Kentucky     | 40,731.25    |
|                 |                  |     | Louisiana    | 26,296       |
|                 |                  |     | Maryland     | 31,753.75    |
|                 |                  |     | Maine        | 26,918.25    |
|                 |                  |     | Michigan     | 115,239.75   |
|                 |                  |     | Minnesota    | 62,685.75    |
|                 |                  |     | Missouri     | 62,960.30    |
|                 |                  |     | New Mexico   | 32,257.25    |
|                 |                  |     | New York     | 31,730       |
|                 |                  |     | Ohio         | 128,297.50   |
|                 |                  |     | Oregon       | 50,687.25    |
|                 |                  |     | Pennsylvania | 205,356.75   |
|                 |                  |     | Rhode Island | 27,939.50    |
|                 |                  |     | Tennessee    | 57,047.50    |
|                 |                  |     | Texas        | 9,305.25     |
|                 |                  |     | Washington   | 71,079       |
|                 |                  |     | Wisconsin    | 60,990       |
|                 |                  |     |              |              |
| 1/18/96-1/24/96 | "TABLE," "SLASH" | SKO | Arkansas     | 20,847.75    |
|                 |                  |     | California   | 105,450      |
|                 |                  |     | Colorado     | 52,611       |
|                 |                  |     | Connecticut  | 31,136.25    |
|                 |                  |     | Florida      | 179,255.50   |
|                 |                  |     | Illinois     | 126,753.75   |
|                 |                  |     | Kentucky     | 38,185.25    |
|                 |                  |     | Louisiana    | 29,573.50    |
|                 |                  |     | Maryland     | 13,775       |
|                 |                  |     | Maine        | 23,574.25    |
|                 |                  |     | Michigan     | 98,078       |
|                 |                  |     | Minnesota    | 54,549       |
|                 |                  |     | Missouri     | 57,478.80    |
|                 |                  |     | New Mexico   | 20,928.50    |
|                 |                  |     | Ohio         | 108,836.75   |
|                 |                  |     |              | 1,354,950.30 |

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|                 |     |              |              |            |              |
|-----------------|-----|--------------|--------------|------------|--------------|
|                 |     |              | Oregon       | 46,778     |              |
|                 |     |              | Pennsylvania | 173,483.75 |              |
|                 |     |              | Tennessee    | 50,739.50  |              |
|                 |     |              | Texas        | 6,821      |              |
|                 |     |              | Washington   | 61,992.25  |              |
|                 |     |              | Wisconsin    | 54,102.50  |              |
|                 |     |              |              |            |              |
|                 |     | "TABLE"      |              |            |              |
| 1/26/98-2/1/96  | SKO |              | Arkansas     | 18,852.75  | 1,255,839.80 |
|                 |     |              | Arizona      | 49,049.80  |              |
|                 |     |              | California   | 96,439.25  |              |
|                 |     |              | Colorado     | 42,469.75  |              |
|                 |     |              | Connecticut  | 29,877.50  |              |
|                 |     |              | Florida      | 167,575.25 |              |
|                 |     |              | Georgia      | 43,723.75  |              |
|                 |     |              | Illinois     | 108,607.50 |              |
|                 |     |              | Kentucky     | 32,955.50  |              |
|                 |     |              | Louisiana    | 24,776.00  |              |
|                 |     |              | Maryland     | 19,095     |              |
|                 |     |              | Maine        | 22,087.50  |              |
|                 |     |              | Michigan     | 83,324.50  |              |
|                 |     |              | Minnesota    | 48,649.50  |              |
|                 |     |              | Missouri     | 51,980.20  |              |
|                 |     |              | New Mexico   | 22,529.25  |              |
|                 |     |              | Ohio         | 142,135    |              |
|                 |     |              | Oregon       | 41,154     |              |
|                 |     |              | Pennsylvania | 82,217.75  |              |
|                 |     |              | Tennessee    | 43,904.25  |              |
|                 |     |              | Texas        | 6,384      |              |
|                 |     |              | Washington   | 51,428.25  |              |
|                 |     |              | Wisconsin    | 49,153     |              |
|                 |     |              |              |            |              |
|                 |     | "CHALLENGES" |              |            |              |
| 2/13/96-2/19/96 | SKO |              | Arkansas     | 10,093.75  | 651,234.50   |
|                 |     |              | California   | 113,415.75 |              |
|                 |     |              | Iowa         | 32,955.50  |              |
|                 |     |              | Illinois     | 82,512.25  |              |



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|                 |                      |     |                |            |              |
|-----------------|----------------------|-----|----------------|------------|--------------|
|                 |                      |     | Washington     | 57,684     |              |
| 3/14/96-3/20/96 | "WELFARE," "VICTIMS" | SKO | Arkansas       | 11,922.50  | 939,092.10   |
|                 |                      |     | Colorado       | 56,301.75  |              |
|                 |                      |     | Connecticut    | 33,867.50  |              |
|                 |                      |     | Florida        | 114,859.75 |              |
|                 |                      |     | Georgia        | 59,284.75  |              |
|                 |                      |     | Iowa           | 35,135.75  |              |
|                 |                      |     | Kentucky       | 37,993     |              |
|                 |                      |     | Louisiana      | 41,591     |              |
|                 |                      |     | Maine          | 22,610     |              |
|                 |                      |     | Minnesota      | 38,356.25  |              |
|                 |                      |     | Missouri       | 54,577.50  |              |
|                 |                      |     | North Carolina | 64,001.50  |              |
|                 |                      |     | New Mexico     | 22,923.50  |              |
|                 |                      |     | Nevada         | 29,381.60  |              |
|                 |                      |     | Oregon         | 43,500.50  |              |
|                 |                      |     | Pennsylvania   | 149,159.50 |              |
|                 |                      |     | Tennessee      | 65,189     |              |
|                 |                      |     | Washington     | 58,486.75  |              |
| 3/21/96-3/27/96 | "WELFARE," "VICTIMS" | SKO | Arkansas       | 12,160     | 1,277,123.20 |
|                 |                      |     | Colorado       | 56,468     |              |
|                 |                      |     | Connecticut    | 29,283.75  |              |
|                 |                      |     | Florida        | 106,746.75 |              |
|                 |                      |     | Georgia        | 60,515     |              |
|                 |                      |     | Iowa           | 34,941     |              |
|                 |                      |     | Illinois       | 88,369     |              |
|                 |                      |     | Kentucky       | 40,512.75  |              |
|                 |                      |     | Louisiana      | 40,911.75  |              |
|                 |                      |     | Maine          | 23,122.25  |              |
|                 |                      |     | Michigan       | 86,621     |              |
|                 |                      |     | Minnesota      | 44,483.75  |              |
|                 |                      |     | Missouri       | 58,743.25  |              |
|                 |                      |     | North Carolina | 71,468.50  |              |









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|                 |                                |                  |                         |                     |              |
|-----------------|--------------------------------|------------------|-------------------------|---------------------|--------------|
| 5/11/96-5/17/96 | "FINISH," "HELP," "BACKGROUND" | November 5 Group | Washington<br>Wisconsin | 61,484<br>50,910.50 | 1,193,349.65 |
|                 |                                |                  | California              | 93,518              |              |
|                 |                                |                  | Colorado                | 39,762.75           |              |
|                 |                                |                  | Connecticut             | 23,840.25           |              |
|                 |                                |                  | Florida                 | 89,756              |              |
|                 |                                |                  | Iowa                    | 32,100              |              |
|                 |                                |                  | Illinois                | 65,949              |              |
|                 |                                |                  | Louisiana               | 50,402.25           |              |
|                 |                                |                  | Maine                   | 19,175.75           |              |
|                 |                                |                  | Michigan                | 78,641              |              |
|                 |                                |                  | Minnesota               | 31,730              |              |
|                 |                                |                  | Missouri                | 96,914.25           |              |
|                 |                                |                  | North Carolina          | 57,926.25           |              |
|                 |                                |                  | Nevada                  | 22,562.50           |              |
|                 |                                |                  | Ohio                    | 158,455.25          |              |
|                 |                                |                  | Oregon                  | 28,723.25           |              |
|                 |                                |                  | Pennsylvania            | 96,657.75           |              |
|                 |                                |                  | Tennessee               | 82,982.50           |              |
|                 |                                |                  | Texas                   | 29,925.50           |              |
|                 |                                |                  | Washington              | 50,613.15           |              |
|                 |                                |                  | Wisconsin               | 43,714.25           |              |
| 5/18/96-5/24/96 | "FINISH," "HELP," "SAME"       | November 5 Group | California              | 89,485.71           | 1,179,170    |
|                 |                                |                  | Colorado                | 37,262.22           |              |
|                 |                                |                  | Connecticut             | 24,824.80           |              |
|                 |                                |                  | Florida                 | 91,814.03           |              |
|                 |                                |                  | Iowa                    | 31,218.59           |              |
|                 |                                |                  | Illinois                | 67,912.37           |              |
|                 |                                |                  | Louisiana               | 52,178.02           |              |
|                 |                                |                  | Maine                   | 18,790.27           |              |
|                 |                                |                  | Michigan                | 77,012.82           |              |
|                 |                                |                  | Minnesota               | 35,606.93           |              |
|                 |                                |                  | Missouri                | 98,116.86           |              |





SKO & NOV 5 Media 81695-8696

|                 |                     |                  |   |  |              |
|-----------------|---------------------|------------------|---|--|--------------|
| 6/12/96-6/18/96 | "DREAMS," "DEFENDS" | November 5 Group | Arkansas<br>California<br>Colorado<br>Connecticut<br>Florida<br>Georgia<br>Illinois<br>Iowa<br>Kentucky<br>Louisiana<br>Maine<br>Michigan<br>Minnesota<br>Missouri<br>Nevada<br>New Jersey<br>New Mexico<br>North Carolina<br>Ohio<br>Oregon<br>Pennsylvania<br>Tennessee<br>Texas<br>Washington<br>Wisconsin | 11,919<br>378,706.17<br>51,509.53<br>37,289.50<br>115,791.12<br>95,572.99<br>107,548.38<br>39,736.06<br>56,220.74<br>58,694.58<br>25,197.70<br>123,438.25<br>49,845.15<br>96,152.34<br>37,084.86<br>28,909.02<br>33,851.59<br>74,719.97<br>159,394.42<br>49,931.55<br>171,786.36<br>78,744.51<br>29,281.35<br>82,309.75<br>54,892.87 | 2,048,527.73 |
| 6/19/96-6/25/96 | "DEFENDS"           | November 5 Group | Arkansas<br>Arizona<br>California<br>Colorado<br>Connecticut<br>Florida<br>Georgia<br>Iowa  | 22,610.17<br>60,889.79<br>486,054.99<br>52,300.80<br>37,334.98<br>258,984.67<br>95,418.37<br>43,360.41   | 2,782,844.24 |



SKO & NOV 5 Media 81695-8696

|               |                     |                  |              |
|---------------|---------------------|------------------|--------------|
|               |                     | Michigan         | 137,353.60   |
|               |                     | Minnesota        | 42,382.70    |
|               |                     | Missouri         | 102,305.11   |
|               |                     | North Carolina   | 88,580.75    |
|               |                     | New Hampshire    | 17,598.83    |
|               |                     | New Jersey       | 28,755.59    |
|               |                     | New Mexico       | 34,010.75    |
|               |                     | Nevada           | 34,988.47    |
|               |                     | New York         | 196,374.43   |
|               |                     | Ohio             | 160,463.09   |
|               |                     | Oregon           | 46,429.98    |
|               |                     | Pennsylvania     | 163,869.16   |
|               |                     | South Dakota     | 11,832.60    |
|               |                     | Tennessee        | 102,655.27   |
|               |                     | Texas            | 37,475.95    |
|               |                     | Washington       | 72,338.90    |
|               |                     | Wisconsin        | 51,386.75    |
|               |                     | West Virginia    | 29,358.66    |
| 7/3/96-7/9/96 | "VALUES," "ANOTHER" | November 5 Group | 1,566,080.72 |
|               |                     | Arkansas         | 13,801.66    |
|               |                     | California       | 221,567.84   |
|               |                     | Colorado         | 50,959.29    |
|               |                     | Connecticut      | 21,559.70    |
|               |                     | Florida          | 103,651.17   |
|               |                     | Georgia          | 79,312.95    |
|               |                     | Illinois         | 86,429.79    |
|               |                     | Iowa             | 43,760.59    |
|               |                     | Kentucky         | 39,745.15    |
|               |                     | Louisiana        | 56,589.09    |
|               |                     | Maine            | 21,427.82    |
|               |                     | Michigan         | 85,300.19    |
|               |                     | Minnesota        | 41,460.47    |
|               |                     | Missouri         | 58,799.18    |
|               |                     | North Carolina   | 58,312.59    |
|               |                     | Nevada           | 26,648.35    |

SKO & NOV 5 Media 81695-8696

|                 |          |                  |                |             |            |
|-----------------|----------|------------------|----------------|-------------|------------|
|                 |          |                  | New Jersey     | 16,834.83   |            |
|                 |          |                  | New Mexico     | 21,996.26   |            |
|                 |          |                  | Ohio           | 1,227,265.8 |            |
|                 |          |                  | Oregon         | 37,844.30   |            |
|                 |          |                  | Pennsylvania   | 145,529.10  |            |
|                 |          |                  | South Dakota   | 11,532.46   |            |
|                 |          |                  | Tennessee      | 65,897.82   |            |
|                 |          |                  | Texas          | 24,961.23   |            |
|                 |          |                  | Washington     | 52,587.29   |            |
|                 |          |                  | Wisconsin      | 44,738.31   |            |
|                 |          |                  | West Virginia  | 15,106.80   |            |
|                 |          |                  |                |             | 489,021.96 |
| 7/10/96-7/16/96 | "ENOUGH" | November 5 Group | California     | 180,904.10  |            |
|                 |          |                  | Colorado       | 8,935.84    |            |
|                 |          |                  | Georgia        | 25,043.08   |            |
|                 |          |                  | Iowa           | 11,186.85   |            |
|                 |          |                  | Illinois       | 20,595.63   |            |
|                 |          |                  | Kentucky       | 15,325.08   |            |
|                 |          |                  | Louisiana      | 12,587.48   |            |
|                 |          |                  | Michigan       | 24,946.68   |            |
|                 |          |                  | Missouri       | 18,426.47   |            |
|                 |          |                  | North Carolina | 56,205.50   |            |
|                 |          |                  | New Mexico     | 4,979.51    |            |
|                 |          |                  | Nevada         | 8,162.76    |            |
|                 |          |                  | Ohio           | 25,293.20   |            |
|                 |          |                  | Pennsylvania   | 37,325.88   |            |
|                 |          |                  | South Dakota   | 5,343.31    |            |
|                 |          |                  | Tennessee      | 14,574.74   |            |
|                 |          |                  | Washington     | 15,074.96   |            |
|                 |          |                  | West Virginia  | 4,110.94    |            |
|                 |          |                  |                |             | 63,278.46  |
| 7/17/96-7/23/96 | "ENOUGH" | November 5 Group | Kentucky       | 6,875.82    |            |
|                 |          |                  | North Carolina | 56,402.64   |            |
|                 |          |                  |                |             |            |
| 7/18/96-7/19/96 | "ENOUGH" | November 5 Group | California     | 68,330.74   |            |
|                 |          |                  |                |             | 68,330.74  |





*R. J. Bobby*

CONFIDENTIAL MEMORANDUM

Date: August 7, 1995  
To: Chair Fowler, Bobby Watson and Joe Sandler  
From: Bradley Marshall  
Re: Media Refund Checks

I have attached a list of checks we have received from Mandy Grundwald's firm for media refunds from last fall's campaigns. The amounts represent funds which we sent to state parties for them to then turn around and send back to Mandy for media buys. The refunds are for unplaced buys. The refunds are really ours since we did not intend to make a contribution to the various state parties when we sent them the money. In other words the state parties were simply a conduit for the buys so we could get a more favorable Hard/Soft split.

*to do this*

We need to contact each of the state parties and arrange for them to swap checks with us, so we can get this money back in our accounts. Each of the refunds contain a Federal and a Non-Federal component so we need to make sure the money is returned in the correct splits.

*[Redacted]*

I would propose that we use this "found" money to pay off the 1994 POTUS travel bills if the various entities who owe for the trips, do not come through with their share of these bills. Since these bills are almost a year old, we should make this determination soon.

 DNC 3078231

DNC068-00349

ATTACHMENT 12  
Page 1 of 6





8/3/88

**"Protect"**

**Medicare. Lifeline for our most vulnerable citizens.**

**President Clinton has a plan to protect Medicare benefits and balance the budget.**

**Clinton would: cut government waste. Reduce excess spending. Slow medical inflation.**

**The Republicans disagree. They want to cut Medicare by \$270 billion.**

**By charging the elderly \$700 more a year in premiums and \$1700 more for home care.**

**Protect Medicare benefits or cut them? A decision that touches us all.**

08-04-88 08:18PM 7002 823

8-063



DNC 3394508

DNC226-02907

ATTACHMENT 12  
Page 4 of 6

3 of 5





August 17, 1995

MEMORANDUM FOR CHAIRMAN FOWLER  
CHAIRMAN DODDCC: DOUG BOSNIK  
FROM: Harold Ickes <sup>HS</sup>  
SUBJECT: August DNC time-buy

This confirms my telephone conversation with Chairman Fowler on Tuesday 15 August about the approximately \$900,000 for the DNC medicare tv spot time-buy. He informed me that day that it would be possible to save \$150,000-175,000 in "hard" money if the spots were purchased by individual state democratic committees in a swap arrangement with the DNC rather than being purchased directly by the DNC, and he asked whether he could hold off a day in purchasing the spots to give time to effectuate the swaps. I phone conferenced him in with Bill Knapp, of the Squier firm, who described the process that would be required in terms of releases and transfers of money, etc., as well as recutting the tag line for the spots from "paid for by the DNC" to "paid for" by the respective democratic state committees, and the Chairman decided it was not worth the hassle. What I am not clear about is since the DNC knew the prior week that this time-buy was going to be purchased by the DNC and would be up in a variety of different states, why steps were not taken at that time to make the appropriate arrangements to have the various democratic state committees run the ads so that the DNC could conserve hard dollars which, I have been led to believe, it has a real shortage of.

Harold,

We received the list of states & markets in which the buys were made on the late afternoon before the buys were made. We called the next morning. That's about as quickly as we could have done it. True, we knew that we were going to pay for the guy but had no idea in what states or markets. A little prior notice would be helpful.

Don 22 Aug 95

 DNC 3259820

DNC174-00967

ATTACHMENT 13  
Page 1 of 2

1 of 2

*boxed  
9/5/08  
WSS*

 DNC 3259821

DNC174-00968

ATTACHMENT 13  
Page 2 of 2

2 of 2



DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Bynum Gibson, Chair  
Arkansas Democratic Party  
1300 W. Capitol  
Little Rock, AR 72201

Dear Bynum:

As discussed on today's conference call, the DNC is proposing that the Arkansas Democratic Party sponsor a television advertisement, to be run in the Little Rock market, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed, and our Chief Financial Officer Brad Marshall will be in touch with your staff to discuss the mechanics of payment.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

Democratic Party Headquarters • 450 South Capitol Street, S.E. • Washington, D.C. 20003 • 202.863.8000 • FAX: 202.863.8174  
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DNC 3374112

DNC180-02595

ATTACHMENT 14  
Page 1 of 15

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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Bill Press, Chair  
California Democratic Party  
8440 Santa Monica Blvd.  
Los Angeles, CA 90069

Dear Bill:

As discussed on today's conference call, the DNC is proposing that the California Democratic Party sponsor a television advertisement, to be run in the Chico-Redding, Sacramento-Stockton, and Santa Barbara markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed, and our Chief Financial Officer Brad Marshall will be in touch with your staff to discuss the mechanics of payment.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

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DNC 3374113

DNC180-02596

ATTACHMENT 14  
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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Mike Beatty, Chair
Colorado Democratic Party
770 Grant Street, Ste. 200
Denver, CO 80203

Dear Mike:

As discussed on today's conference call, the DNC is proposing that the Colorado Democratic Party sponsor a television advertisement, to be run in the Denver market, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed, and our Chief Financial Officer Brad Marshall will be in touch with your staff to discuss the mechanics of payment.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

[Handwritten signature]

Donald L. Fowler
National Chairman

Democratic Party Headquarters • 430 South Capitol Street, S.E. • Washington, D.C. 20003 • 202.863.8000 • FAX: 202.863.8174
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DNC 3374114

DNC180-02597

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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Terrie Brady, Chair
Florida Democratic Party
517 N. Calhoun Street
Tallahassee, FL 32301

Dear Terrie:

As discussed on today's conference call, the DNC is proposing that the Florida Democratic Party sponsor a television advertisement, to be run in the Miami-Ft. Lauderdale and Tampa-St. Pete markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

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If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

[Handwritten signature]

Donald L. Fowler
National Chairman

Democratic Party Headquarters • 430 South Capitol Street, S.E. • Washington, D.C. 20003 • 202.865.8000 • FAX: 202.863.8174
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DNC 3374115

DNC180-02598

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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Gary LaPaille, Chair  
Democratic Party of Illinois  
489 Merchandise Mart  
Chicago, IL 60654

Dear Gary:

As discussed on today's conference call, the DNC is proposing that the Illinois Democratic Party sponsor a television advertisement, to be run in the Peoria, Rockford, and Springfield-Decatur markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

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With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

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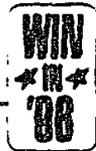


DNC 3374116

DNC180-02599

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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Victoria Murphy, Chair  
Maine Democratic Party  
12 Spruce Street  
Augusta, ME 04332-5258

Dear Victoria:

As discussed on today's conference call, the DNC is proposing that the Maine Democratic Party sponsor a television advertisement, to be run in the Portland ME market, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed, and our Chief Financial Officer Brad Marshall will be in touch with your staff to discuss the mechanics of payment.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

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DNC 3374117

DNC180-02600

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DEMOCRATIC \* NATIONAL \* COMMITTEE

Donald L. Fowler, National Chair \* Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Mark Brewer, Chair  
Michigan Democratic Party  
606 Townsend  
Lansing, MI 48933

Dear Mark:

As discussed on today's conference call, the DNC is proposing that the Michigan Democratic Party sponsor a television advertisement, to be run in the Detroit, Flint-Saginaw, Green Bay-Appleton, and Traverse-Cadillac markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed, and our Chief Financial Officer Brad Marshall will be in touch with your staff to discuss the mechanics of payment.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

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DNC 3374118

DNC180-02601

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# DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Mark Andrew, Chair  
Minnesota Democratic Party  
352 Wacouta Street  
St. Paul, MN 55101

Dear Mark:

As discussed on today's conference call, the DNC is proposing that the Minnesota Democratic Party sponsor a television advertisement, to be run in the Duluth-Superior and Minneapolis-St. Paul markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

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If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

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DNC 3374119

DNC180-02602

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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Judith Hops, Chair  
New York Democratic Party  
60 East 42 Street, Suite 1819  
New York, NY 10165

Dear Judith:

As discussed on today's conference call, the DNC is planning to run television advertisements in New York, in the Burlington, Elmira, Syracuse, Utica and Watertown markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC will be paying for these advertisements and the ads will run under our disclaimer ("Paid for by the Democratic National Committee").

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

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DNC 3374120

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DNC180-02603



DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable John Sullivan
34 E. Bridge Street
Oswego, NY 10165

Dear John:

As discussed on today's conference call, the DNC is planning to run television advertisements in New York, in the Burlington, Elmira, Syracuse, Utica and Watertown markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC will be paying for these advertisements and the ads will run under our disclaimer ("Paid for by the Democratic National Committee").

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

[Handwritten signature]

Donald L. Fowler
National Chairman

Democratic Party Headquarters • 450 South Capitol Street, S.E. • Washington, D.C. 20003 • 202.863.8000 • FAX: 202.863.8174
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DNC 3374121

DNC180-02604

ATTACHMENT 14
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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dudd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable David J. Leland, Chair  
Ohio Democratic Party  
37 West Broad Street, Suite 430  
Columbus, OH 43215

Dear David:

As discussed on today's conference call, the DNC is proposing that the Ohio Democratic Party sponsor a television advertisement, to be run in the Cleveland and Toledo markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

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If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

Democratic Party Headquarters • 450 South Capitol Street, S.E. • Washington, D.C. 20003 • 202.863.8000 • FAX: 202.863.8174  
Paid for by the Democratic National Committee. Contributions to the Democratic National Committee are not tax deductible.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 DNC 3374122

DNC180-02605

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11 02



DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Joe Carmichael, Chair
Missouri Democratic Party
419 East High Street
Jefferson City, MO 65101

Dear Joe:

As discussed on today's conference call, the DNC is proposing that the Missouri Democratic Party sponsor a television advertisement, to be run in the Columbia-Jefferson City and St. Louis markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

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If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Don

Donald L. Fowler
National Chairman

Democratic Party Headquarters • 430 South Capitol Street, S.E. • Washington, D.C. 20003 • 202.863.8000 • FAX: 202.863.8174
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DNC 3374123

DNC180-02606

ATTACHMENT 14
Page 12 of 15

12 4



DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Mark S. Singel, Chair
Pennsylvania Democratic Party
510 North Third Street
Harrisburg, PA 17101

Dear Mark:

As discussed on today's conference call, the DNC is proposing that the Pennsylvania Democratic Party sponsor a television advertisement, to be run in the Harrisburg-York-Lancaster, Johnstown-Altoona, Philadelphia, and Wilkes-Barre-Scranton markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed, and our Chief Financial Officer Brad Marshall will be in touch with your staff to discuss the mechanics of payment.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Handwritten signature of Donald L. Fowler

Donald L. Fowler
National Chairman

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DNC 3374124

DNC180-02607

ATTACHMENT 14
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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Richard James, Chair  
Rhode Island Democratic Party  
100 Cottage Street  
Pawtucket, Rhode Island 02860

Dear Richard:

As discussed on today's conference call, the DNC is planning to run television advertisements in Rhode Island, in the Providence market, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC will be paying for these advertisements and the ads will run under our disclaimer ("Paid for by the Democratic National Committee").

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

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DNC 3374125

DNC180-02608

ATTACHMENT 14  
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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

October 3, 1995

Via Overnight Delivery

Honorable Mark Sostarich, Chair
Wisconsin Democratic Party
222 State Street, Ste. 400
Madison, WI 53703

Dear Mark:

As discussed on today's conference call, the DNC is proposing that the Wisconsin Democratic Party sponsor a television advertisement, to be run in the Madison and Milwaukee markets, attacking the Republicans and promoting the Democratic Party's position on Medicare. A tape of the proposed advertisement is enclosed, along with a copy of the script. The DNC would provide you with all of the funds necessary to run the advertisements. It is up to you whether to have the state party sponsor these advertisements.

If this meets with your approval, the advertisements would run this week, possibly beginning as early as Wednesday.

As discussed, the DNC campaign division will be in touch with your staff to answer questions and provide any additional information needed, and our Chief Financial Officer Brad Marshall will be in touch with your staff to discuss the mechanics of payment.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Handwritten signature of Donald L. Fowler

Donald L. Fowler
National Chairman

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DNC 3374126

DNC180-02609

ATTACHMENT 14
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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

March 29, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new television advertisement to be run in the Orlando, Tallahassee, Panama City, Jacksonville, Ft. Myers and Tampa-St. Pete markets, in place of the two spots currently running for this week's buy. The advertisement, entitled "No", highlights the efforts of Majority Leader Bob Dole to oppose the President's proposals for a balanced budget, welfare reform and tax relief for working families, and the assault weapons ban. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

This advertisement would be run with the funds you have already sent to the media firm for this week's buy.

If this meets with your approval, the advertisement would run starting as early as tomorrow, Saturday, March 30.

The DNC campaign and communication divisions are available to answer questions.

If you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chairman

Enclosures

013757

CLN016-00029

ATTACHMENT 15  
Page 1 of 2

1 of 2

**DEMOCRATIC NATIONAL COMMITTEE**

**CAMPAIGN DIVISION**

**PHONE: 202-863-8000 FAX: 202-488-5025**

**DATE:** 3/29/96

**PLEASE DELIVER TO:** Scott Falmlen

**FAX #** \_\_\_\_\_

**NUMBER OF PAGES FAXED** 2 **(INCLUDING COVER)**

**FROM:** Mameen Gande

**COMMENTS:** Attached is the script for the new  
ad "NO" which will replace "Victims" + "Welfare"  
It will begin to run on Saturday and run for  
the week.

It is important that there be no press or  
publicity surrounding this ad.

A tape is being overnighted to you.

013745



Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new television advertisement to be run in the Tallahassee and Tampa-St. Pete markets, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Panama City, Orlando, Jacksonville, and Ft. Myers markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd  
General Chair

Sincerely yours,

Donald L. Fowler  
National Chair

Enclosures

013740

CLN016-00012

ATTACHMENT 16  
Page 1 of 2

1 of 2

# DEMOCRATIC NATIONAL COMMITTEE

## CAMPAIGN DIVISION

PHONE: 202-863-8000 FAX: 202-488-5025

DATE: 4/12/96

PLEASE DELIVER TO: Scott Falmer

FAX # \_\_\_\_\_

NUMBER OF PAGES FAXED 3 (INCLUDING COVER)

FROM: Maureen Gorse

COMMENTS: Attached please find two spots  
which will be running in various  
Florida media markets. The markets +  
spots are as follows:

- "Supports" - Tampa / Ft. Petersburg
- "No" - Panama City
- "Supports" - Tallahassee
- "No" - Orlando
- "No" - Jacksonville
- "No" - Ft. Meyers.

Please review the new ad "Supports"  
and let me know if you have any  
concerns. I can be reached at 202-8779-5136.

013742

04-12-96 11:32AM PO01 #43

CLN016-00014



DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Art Torres, Chair
California Democratic Party
8440 Santa Monica Blvd.
Los Angeles, CA 90069

Dear Art:

The DNC is proposing that the California Democratic Party sponsor a new television advertisement to be run in the San Diego, Chico-Redding, Sacramento-Stockton, and Santa Barbara markets, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

[Handwritten signature of Christopher J. Dodd]

Christopher J. Dodd
General Chair

Sincerely yours,

[Handwritten signature of Donald L. Fowler]

Donald L. Fowler
National Chair

Enclosures

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DNC 3079717

DNC068-01669

ATTACHMENT 17
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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair
Florida Democratic Party
517 N. Calhoun Street
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new television advertisement to be run in the Tallahassee and Tampa-St. Pete markets, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Panama City, Orlando, Jacksonville, and Ft. Myers markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

[Signature]
Christopher J. Dodd
General Chair

Sincerely yours,

[Signature]
Donald L. Fowler
National Chair

Enclosures

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[Barcode] DNC 3079718

DNC068-01670

ATTACHMENT 17
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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Michael Peterson, Chair
Iowa Democratic Party
431 East Locust
Des, Moines, IA 50309

Dear Mike:

The DNC is proposing that the Iowa Democratic Party sponsor a new television advertisement to be run in the Des Moines market in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Cedar Rapids, Davenport, Sioux City and Rochester-Mason City markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

[Signature]
Christopher J. Dodd
General Chair

Sincerely yours,

[Signature]
Donald L. Fowler
National Chair

Enclosures

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DNC 3079719

DNC058-01671

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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Bob Babbage, Chair
Kentucky Democratic Party
P.O. Box 694
Frankfort, KY 40602

Dear Bob:

The DNC is proposing that the Kentucky Democratic Party sponsor a new television advertisement to be run in the Evansville and Paducah markets, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Louisville and Lexington markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd
General Chair

Sincerely yours,

Donald L. Fowler
National Chair

Enclosures

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DNC 3079720

DNC068-01672

ATTACHMENT 17
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# DEMOCRATIC \* NATIONAL \* COMMITTEE

Donald L. Fowler, National Chair \* Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery ..

Honorable Victoria Murphy, Chair  
Maine Democratic Party  
12 Spruce Street  
Augusta, ME 04332-5258

Dear Victoria:

The DNC is proposing that the Maine Democratic Party sponsor a new television advertisement to be run in the Portland market, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Bangor and Presque Isle markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd  
General Chair

Sincerely yours,

Donald L. Fowler  
National Chair

Enclosures

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DNC 3079721

DNC068-01673

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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Mark Brewer, Chair
Michigan Democratic Party
606 Townsend
Lansing, MI 48933

Dear Mark:

The DNC is proposing that the Michigan Democratic Party sponsor a new television advertisement to be run in the Detroit and Lansing markets, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Flint, Traverse City and Grand Rapids markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd
General Chair

Sincerely yours,

Donald L. Fowler
National Chair

Enclosures

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DNC 3079722

DNC068-01674

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DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Jan Jenkins, Chair
Nevada Democratic Party
1785 East Sahara Avenue, Suite 4-96
Las Vegas, NV 89104

Dear Jan:

The DNC is proposing that the Nevada Democratic Party sponsor a new television advertisement to be run in the Las Vegas market, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Reno market.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

[Handwritten signature of Christopher J. Dodd]

Christopher J. Dodd
General Chair

Sincerely yours,

[Handwritten signature of Donald L. Fowler]

Donald L. Fowler
National Chair

Enclosures

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DNC 3079723

DNC068-01675





DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Margaret Carter, Chair
Oregon Democratic Party
711 S.W. Alder #306
Portland, OR 97205

Dear Jana:

The DNC is proposing that the Oregon Democratic Party sponsor a new television advertisement to be run in the Portland market, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Medford and Eugene markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd
General Chair

Sincerely yours,

Donald L. Fowler
National Chair

Enclosures

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DNC 3079725

DNC068-01677



DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Bill White, Chair
Texas Democratic Party
815 Brazos
Austin, TX 78701

Dear Bill:

The DNC is running a new television advertisement the Beaumont market, under our own disclaimer. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

[Handwritten signature of Christopher J. Dodd]

Christopher J. Dodd
General Chair

Sincerely yours,

[Handwritten signature of Donald L. Fowler]

Donald L. Fowler
National Chair

Enclosures

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DNC 3079726

DNC068-01678

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DEMOCRATIC \* NATIONAL \* COMMITTEE

Donald L. Fowler, National Chair \* Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Paul Berendt, Chair  
Post Office Box 4027  
Seattle, WA 98104

Dear Paul:

The DNC is proposing that the Washington Democratic Party sponsor a new television advertisement to be run in the Seattle market, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Spokane and Yakima markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd  
General Chair

Sincerely yours,

Donald L. Fowler  
National Chair

Enclosures

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||||| DNC 3079727

DNC068-01679



# DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 12, 1996

Via Overnight Delivery

Honorable Mark Sostarich, Chair  
Wisconsin Democratic Party  
222 State Street, Ste. 400  
Madison, WI 53703

Dear Mark:

The DNC is proposing that the Wisconsin Democratic Party sponsor a new television advertisement to be run in the Madison market, in place of the spot currently running. The advertisement, entitled "Supports", responds to the RNC's current ad attacking the President and Democrats for opposing the Republican tax plan, and points out that it is the President and the Democrats who are proposing tax credits for families with children and tax cuts for working families as part of a budget plan that preserves Medicare, protects the environment, helps with college tuition and saves anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ad currently running, "No", will continue to run in the Green Bay, Milwaukee, LaCrosse and Wausau markets.

These advertisements would be run with the funds you have been asked to wire to the media firm.

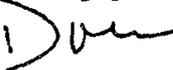
If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 13.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

  
Christopher J. Dodd  
General Chair

Sincerely yours,

  
Donald L. Fowler  
National Chair

Enclosures

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DNC 3079728

DNC068-01680

ATTACHMENT 17  
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Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 19, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new television advertisement to be run in the Orlando, Panama City, Jacksonville and Fort Myers markets. The advertisement, entitled "Photo", highlights the opposition of Speaker Gingrich and Majority Leader Dole to the Brady bill that the President got passed, and calls for resisting the current efforts of Gingrich and Dole to repeal the provisions of the President's crime plan for 100,000 new police and for strengthening school anti-drug programs. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The ads currently running, "No" and "Supports", will continue to run in the Tampa-St. Pete and Tallahassee markets.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 20.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call me directly.

With best regards,

Sincerely yours,

Donald L. Fowler  
National Chair

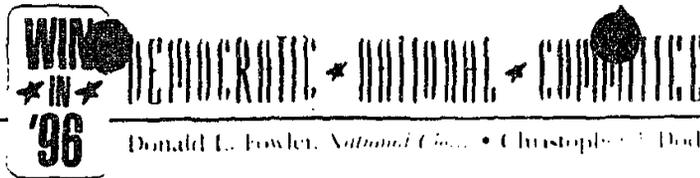
Enclosures

013739

CLN016-00011

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Page 1 of 1

1 of 1



Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

April 26, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party substitute, for the advertisement currently running entitled "Photo," a new advertisement entitled "Background." The new advertisement includes certain language changes reflecting the impact of the Fiscal 1996 budget agreement, and continues to call for support for the President's proposals for fighting crime and helping schools in the face of opposition by the Republican leadership in the Congress. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

The new advertisement would run in the same markets in which "Photo" is currently running.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday April 27.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,  
Christopher J. Dodd  
General Chair

Sincerely yours,

Donald L. Fowler  
National Chair

Enclosures

013753



Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

May 3, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new advertisement, entitled "Finish." The advertisement highlights the fact that the President's budget priorities were protected in the 1996 budget because the President stood firm, despite opposition from the Republican leadership, and calls for support for the President's 7-year balanced budget plan. The spot would run in the Orlando, Tallahassee, Panama City, Tampa-St. Pete, Jacksonville and Ft. Myers markets. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday May 4.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd  
General Chair

Sincerely yours,

Donald L. Fowler  
National Chair

Enclosures

013751

CLN016-00023

1 of 1



May 21, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new advertisement, entitled "Same." The advertisement highlights the fact that the President's budget priorities were protected in the 1996 budget because the President stood firm, despite opposition from the Republican leadership, criticizes the latest Republican budget plan and calls for Congressional action on the President's plan. The spot would run in the Jacksonville, Ft. Myers, Orlando, Tallahassee, Panama City and Tampa-St. Pete markets. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Wednesday May 22.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd  
General Chair

Sincerely yours,

Donald L. Fowler  
National Chair

Enclosures

013735

Democratic Party Headquarters • 439 South Capitol Street, S.E. • Washington, D.C. 20003 • 202.863.8000 • FAX: 202.863.8174  
P.O. Box 1100 • Tallahassee, Florida 32301 • Telephone: 904.438.2200 • Fax: 904.438.2201

CLN016-00007

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May 31, 1996

Via Overnight Delivery

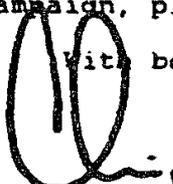
Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new advertisement, entitled "Side." The advertisement calls attention to the opposition of Republican leaders to the President's legislative accomplishments reflecting our national values; highlights the fact that the President's priorities were protected in the 1996 budget despite Republican opposition; and calls for Congressional action on the President's plan. The spot would run in the Orlando, Tallahassee, Panama City, Jacksonville, Ft. Myers and Tampa-St. Pete markets. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Saturday, June 1.

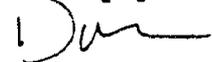
The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.



With best regards,

Christopher J. Dodd  
General Chair

Sincerely yours,



Donald L. Fowler  
National Chair

Enclosures

013738

CLN016-00010

ATTACHMENT 22  
Page 1 of 1



DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

June 11, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair
Florida Democratic Party
517 N. Calhoun Street
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new advertisement, entitled "Dreams." The advertisement promotes the President's proposal to provide tax credits of \$1,500 a year for two years of college tuition, covering the cost of attending an average community college and making all colleges more affordable. The spot would run in the Orlando, Tallahassee, Panama City, Jacksonville, Ft. Myers, and Tampa-St. Pete markets. A tape of the advertisement is enclosed. A copy of the script has previously been faxed to you.

If this meets with your approval, the new advertisement would run starting as early as tomorrow, Wednesday June 12.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

Handwritten signature of Christopher J. Dodd

Christopher J. Dodd
General Chair

With best regards,

Sincerely yours,

Handwritten signature of Donald L. Fowler

Donald L. Fowler
National Chair

Enclosures

013731

CLN016-00003



DEMOCRATIC \* NATIONAL \* COMMITTEE

Donald L. Fowler, National Chair \* Christopher J. Dodd, General Chair

June 14, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor a new advertisement, entitled "Defend." The advertisement criticizes the Republican budget proposal and promotes the President's proposal to provide tax credits of \$1,500 a year for two years of college tuition, covering the cost of attending an average community college and helping adults go back to school. The spot would run in the Orlando, Tallahassee, Panama City, Jacksonville, Ft. Myers, and Tampa-St. Pete markets together with the advertisement currently running, entitled "Dreams". A tape of "Defend" is enclosed. A copy of the script has previously been faxed to you.

If this meets with your approval, "Defend" would run starting as early as tomorrow, Saturday June 15.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

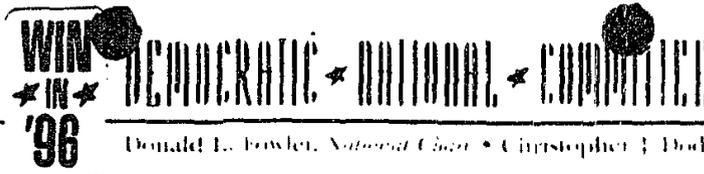
Christopher J. Dodd  
General Chair

Sincerely yours,

Donald L. Fowler  
National Chair

Enclosures

613730



June 26, 1996

Via Overnight Delivery

Honorable Terrie Brady, Chair  
Florida Democratic Party  
517 N. Calhoun Street  
Tallahassee, FL 32301

Dear Terrie:

The DNC is proposing that the Florida Democratic Party sponsor an advertisement, entitled "Values.2." The advertisement calls for support of the President's budget plan and contrasts it with the Republican leadership's budget proposal. The spot would run in the markets where "Defend" is currently running. A tape of "Values.2" is enclosed. A copy of the script has previously been faxed to you.

If this meets with your approval, "Values.2" would run starting as early as tomorrow, Thursday, June 27.

The DNC campaign and communication divisions are available to answer any questions you or your staff may have. Of course, if you have any questions or concerns about this proposed advertising campaign, please do not hesitate to call us directly.

With best regards,

Christopher J. Dodd  
General Chair

Sincerely yours,

Donald L. Fowler  
National Chair

Enclosures

013773

CLN016-00051

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Page 1 of 1

21 November 1995

MEMORANDUM TO CHAIRMAN DODD  
CHAIRMAN FOWLER

CC JOE SANDLER  
BOBBY WATSON  
BILL KNAPP

FROM HAROLD ICKES *UI*

RE Monies owed by various Democratic state parties to Squier, Knapp as of 21 November 1995

Bill Knapp informed me today (Tuesday) that various Democratic state parties owed his firm approximately \$2.4 million for television time buys placed through the state parties for the period 11 October through 30 November. I don't know what the legal ramifications are, but his firm is not a bank for the DNC. I trust that you will take immediate steps to rectify this situation.

I suggest that the week immediately following Thanksgiving, we have a meeting with Mr. Knapp to discuss how this procedure can be made more efficient and timely.

Harold,

I have a conference call scheduled w/  
relevant state chairs for this afternoon (22 Nov).  
Will follow up on this to make sure that it is  
taken care of.

*D*  
22 Nov 95

Confidential Information

 DNC 3097447

DNC071-03292

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1 of 2

Owed Squier Knapp by state  
parties as of 11/21/95

| <u>For periods</u>       |                  |
|--------------------------|------------------|
| 11-17 October            | \$41,000         |
| 19-25 October            | \$39,000         |
| 26 October - 11 November | \$39,000         |
| 2-10 November            | \$266,000        |
| 10-16 November           | \$556,000        |
| 17-30 November           | \$1,167,000      |
| Sat/ Sun 25/26 November  | <u>\$300,000</u> |
|                          | \$2,408,000      |

Confidential Information

 DNC 3097448

DNC071-03293

ATTACHMENT 26  
Page 2 of 2

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**CONFIDENTIAL**

April 12, 1995

MEMORANDUM FOR HAROLD ICKES

FROM: JOE SANDLER

SUBJECT: DIVISION OF ACTIVITY BETWEEN RE-ELECT AND DNC

Attached is an outline addressing the questions you raised with respect to legal rules governing the division of activity, including the work of consultants, between the DNC and the re-election committee, and with respect to the impact of a primary challenge. This outline reflects discussions among Bruce, Lyn, Cheryl and myself and has been reviewed, revised and approved by Bruce, Lyn and Cheryl, and Bobby.

cc: Chairman Fowler  
Bruce Lindsey  
Cheryl Mills  
Lyn Utrecht  
Bobby Watson



DNC 3112868

DNC080-00038

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Page 1 of 7

1 of 7

**I. DIVISION OF ACTIVITY BETWEEN RE-ELECT AND DNC--LEGAL FRAMEWORK**

**A. Polling**

**1. DNC can continue to pay for generic and issue polling--for example:**

- Direction of country
- Favorability/job performance of Democrats in general, Democrats in Congress
- Dems vs. GOP on who would do a better job on issue, who do you trust more to do X (manage the economy, cut the deficit, manage foreign policy, etc.)
- More/less likely to vote for someone who supports President's Clinton's policies on various issues
- More/less likely to vote Democratic after hearing particular Presidential statement
- Opinions on issues, including ratings of specific elements of Administration positions/proposals (would you favor welfare reform plan that does X, Y, Z)
- Effect on the Party or candidates of aligning with the President generally or on particular issues (would you be more or less likely to vote for a Democrat for Congress, generally, for Governor, etc. if he generally supported the President, if he supported President Clinton's position on X, etc.)

**2. Re-elect must pay for questions specifically related to '96 Presidential election or that test individuals/issues in that context--for example:**

- Favorability/job performance ratings of the President
- Favorability/job performance ratings of GOP opponents: Dole, Gramm, Alexander, Wilson et. al. (but Gingrich questions OK for DNC to pay)
- Questions testing impact on presidential preference (after thinking about X, hearing X does that make you more or less likely to vote for President Clinton, vote for Dole, etc.)
- Issue impact on presidential preference (would you be more or less likely to vote for President for someone who favors X)

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3. Contractual arrangement:

- Each pollster will have a contract with DNC and a separate contract with re-election committee.
- Polls will be joint. Based on review by counsel, DNC and re-elect will agree in advance on how to split the costs given the types of questions in the proposed poll.
- DNC and re-elect will then be separately invoiced accordingly.

4. Under the above arrangement, DNC and re-elect/White House principals and officials can all see results from entire poll--not just the questions for which they paid.

B. Consulting/General Strategy/Planning

(e.g. Carville & Begala; Dewey Square for producing plans, reports, providing oral and written advice)

1. DNC can continue to pay for advice and plans relating to party infrastructure, programs and message

- Preparing for coordinated campaigns
- Strategies for various elements of the electorate (base vote, categories of persuadables, etc.)
- Advice on message--for Fowler and Dodd speeches/media appearances, DNC communications, etc.

2. Re-elect must pay for plans and advice specific to primary contests/nominating process and conduct of primary campaign

- New Hampshire plan/Iowa plan
- Advice/reports/memos to POTUS/VPOTUS, senior WH political officials and re-election campaign officials
- Attendance at meetings specific to re-election campaign

3. Contractual arrangement:

- Each consultant will have a contract with DNC and a separate contract with the re-elect. Each contract will define the scope of work appropriate to the contracting entity (DNC versus re-elect).
- Must be prepared to show actual work product

 DNC 3112870

DNC080-00040

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—under each contract.

**C. Infrastructure/Field Organization--Implementation**

(e.g., on the ground organizing and voter contact activity (Dewey Square, other operatives in key states); product designed for such activity (NCEC targeting)).

**1. DNC can pay for general party infrastructure building including**

- NCEC targeting for use in all key states in the '96 general election (however we want to define them)
- Organizers in key states to build networks, work with state parties and groups, do politics with activists and elected officials, for '96 general election.
- Organizing to increase Democratic voter turnout generally in primaries/caucuses (not for a particular candidate).

**2. Re-elect must pay for organizing and product for specific use in primary contests**

- Operatives in New Hampshire, Iowa elsewhere engaged in organizing specifically for the primary or caucus.
- Targeting data or other product for specific use by those operatives in generating vote for the President in those contests.

**3. Contractual arrangement:**

- Each consultant will have its own contract with the DNC and, if needed, a separate contract with the re-elect.
- Product for use specifically by the re-elect (e.g., NCEC targeting data for use in a specific primary or caucus) must be ordered by and paid for by the re-elect.

**D. Media**

**1. DNC can pay for consultants providing media advice/writing/creative/time buying for Party and President in his capacity as Party leader**

- General oral/written advice to President and DNC Chairs on Party/Administration message
- Speechwriting for generic political events (e.g., Katz speeches for Gridiron, TV Radio



DNC 3112871

DNC080-00041

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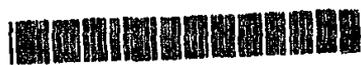




2. These activities are undertaken by the President in his capacity as party leader and benefit the Party as a whole.

- Christmas cards and trinkets--used for friends and supporters
- Democrats-only meetings and breakfasts
- Other entertainment--curries goodwill among different groups and segments of the public, to the benefit of the Party generally.

3. Precedent: the RNC paid for these activities in late 1991 even after Buchanan became a candidate for the GOP nomination.

 DNC 3112874

DNC080-00044

# CLINTON GORE

22 June 1995

This letter constitutes the agreement with the Media Team, consisting of Squier/Knapp/Ochs Communications, Hank Sheinkopf and Marius Penczner Productions, to provide campaign services to the Clinton/Gore '96 Primary Committee, Inc. ("Committee").

These services shall include the following, as requested by the Committee:

1. General campaign consulting with specific emphasis on communications;
2. Production of radio and television communications;
3. Radio and television buying services.

The fee for these services shall be the standard fifteen (15%) percent commission on all radio and television media purchased ("media buys" or "time buys") by the Committee for the first \$2,400,000 of time buy. The commission for any subsequent time purchased by the Media Team, if any, on behalf of the Committee, shall be subject to mutual agreement of the parties to this agreement.

## PRODUCTION, CONSULTING, AND RESEARCH COSTS

Production, consulting and research expenses will be charged at cost and will be evidenced by detailed invoices submitted to the Committee, prior to payment by the Committee. Subject to the last sentence of this paragraph, payment of estimated production costs for each flight of media will be due at the same time funds are wired to pay for the time buy. Where production occurs in advance of the actual time buy, the Committee will be provided with an invoice detailing the estimated cost. In any event, the Committee will have up to seven (7) working days following receipt by it of an invoice to pay the invoice.

The Media Team will provide the Committee with a complete and detailed accounting of the production account monthly. At each accounting, any prepaid amounts in excess of actual costs will be credited to the Committee, and any production costs in excess of the prepaid amount will be billed to the Committee.

Long distance phone costs and research expenses in connection with production, consulting and media buying activities for the Committee will be billed at cost.

CLINTON/GORE '96

P.O. Box 19300 WASHINGTON, D.C. 20036-9300 PHONE 202/331-1996

*Paid for by the Clinton/Gore '96 Primary Committee, Inc.*

*Contributions to Clinton/Gore '96 are not Tax Deductible.*

©

CLN017-00134

ATTACHMENT 29  
Page 1 of 4

### TRAVEL AND PERSONAL EXPENSES

Travel and personal expenses incurred in connection with the Committee, including expenses for both production and consulting, will be billed to the Committee at cost. No single expense in excess of \$5,000 shall be incurred on behalf of the Committee without the prior written consent of the Committee.

### EXPENSES IN CONNECTION WITH THE LATE JUNE THROUGH JULY 1995 TIME BUY

It is agreed that the maximum amount for production, research, consulting and other expenses and costs, in the aggregate, for the TV ads produced by the Media Team in connection with TV ads aired by the Committee during late June and July 1995 (including such costs and expenses in relationship to TV ads initiated or produced but not aired) shall not exceed \$36,000. Any costs or expenses in excess of \$36,000 for production, research, consulting or otherwise, in connection with such TV ads for that period of time (whether or not aired) shall be paid for by the Media Team from the standard commission referred to above.

### OTHER CONSULTANTS

This agreement does not give the Media Team exclusive rights with respect to any services to be provided to the Committee, and nothing in this agreement shall prevent the Committee from using other consultants/entities to perform any or all of the services or activities described in this agreement at the sole discretion of the Committee.

### FEC INFORMATION

The Media Team shall maintain and provide to the Committee in a timely fashion all necessary information for reporting to the Federal Election Commission ("FEC"), including allocations to state spending limits. This information will be provided to the Committee's Controller as soon as practicable after each media buy, but in no event later than the last day of the pertinent FEC reporting period. During 1995, the dates are June 30, 1995, September 30, 1995 and December 31, 1995. During 1996, the information must be submitted to the Committee by the end of each calendar month. In addition, the Media Team will maintain and provide to the Committee in a timely fashion all information regarding media refunds as necessary for reporting to the FEC.

### REIMBURSEMENT POLICY

In order to obtain reimbursement of approved expenses, any claim for reimbursement of expenses shall be supported by appropriate receipts and other documentation as required by the FEC.

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## CONFIDENTIALITY

The Media Team agrees that it will not at any time, in any fashion, form or manner, either directly or indirectly, disclose or communicate to any person, firm or corporation, any non-public or proprietary information concerning the Committee or any other information deemed confidential by the Committee. Only authorized Committee personnel will be permitted to communicate with the press on any Committee matters. If a member of the press contacts the Media Team, the call or other communication shall be referred to the Committee representative designated by its Board of Directors. The Media Team agrees that it will require any employee or consultant in a management capacity under this agreement to execute a similar agreement regarding confidentiality.

## OWNERSHIP OF WORK PRODUCT

The Media Team agrees that all work product, files, lists, documents, art work, computer records, and other materials (collectively "materials") produced or obtained in furtherance of this agreement become and remain the exclusive property of the Committee and shall be deemed works for hire created for the Committee for the purpose of the Copyright Law of 1976; and all copyright and any other rights in and to such materials shall belong to the Committee. The Media Team is authorized by the Committee to use data solely for the purpose of fulfilling the terms of this agreement. The Media Team shall promptly turn over all such materials to the Committee at the termination of this agreement, and the Media Team shall not have any right to retain or use such materials without the express written consent of the Committee.

## RELATIONSHIP BETWEEN THE PARTIES

The relationship between the Media Team and the Committee shall be that of independent contractor, and nothing contained in the agreement shall be construed to constitute the Media Team as an employee, partner, joint venture or agent of the Committee, other than as specifically set forth in writing executed by the parties.

## NOTICES

All notices and consents required or permitted hereunder shall be sufficient if given in writing and either hand-delivered or mailed by certified mail, postage prepaid, return receipt requested, to the other party at the address set forth below or to such other address as either party may designate by like notice.

A. If to Media Team, then send notice(s) to:

Squier, Knapp, Ochs Communications  
511 2nd Street, N.E.  
Washington, DC 20002

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B. If to Committee, then send notice(s) to:

Lyn Utrecht, Esquire  
OLDAKER, RYAN & LEONARD  
Suite 1100  
818 Connecticut Avenue, N.W.  
Washington, D.C. 20006

**TERMINATION**

This agreement may be terminated at will by either party upon five (5) days written notice, which time begins running with the date of actual receipt of the notice by the party to whom notice is being given, if hand delivered, or with the post mark if the notice is mailed. In the event either party elects to terminate this agreement, it is agreed that all expenses incurred by the Media Team on behalf of the Committee prior to termination will be reimbursed to the Media Team.

This agreement shall be governed by the laws of Washington, DC. Any lawsuit or other legal action taken to enforce any part of this agreement shall be brought only in the courts located in the District of Columbia.

  
For the Media Team

  
For the Clinton/ Gore '96  
Primary Committee

CLN017-00137

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Page 4 of 4

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14 August 1995

0029744

MEMORANDUM -TO THE PRESIDENT

CC THE VICE PRESIDENT  
LEON PANETTA  
ERSKINE BOWLES  
MARGARET WILLIAMS  
JACK QUINN

FROM HAROLD ICKES  
DOUG SOSNIK

SUBJECT Certain issues regarding the 1996 re-elect effort

There are a number of issues relating, either directly or indirectly, to the 1996 Re-elect campaign which need to be focused on shortly after Labor Day. The purpose of this memorandum is to describe some of the more important of those issues so as to give you the opportunity to consider them over the Labor Day break and to request additional information, if you wish.

The issues are not listed in any particular order of importance, and some of the points below are informational only.

1. "Political Calendar": Tab A describes key dates/events of the "political calendar" between now and Tuesday 5 November 1996. It also contains a block calendar for September 1995 through November 1996.

2. Electoral map: Tab B contains electoral maps. We need a meeting shortly after Labor Day to focus on the electoral map and the implications for strategic, tactical and budgetary purposes.

3. Relationship between the White House, '96 Re-elect and DNC: As described below, there are a number of decisions that need to be made in September and early October which, to some extent, will depend upon decisions about the relationship between the White House, the '96 Re-elect and the DNC regarding the re-election campaign. The facts that White House "controls" the schedule, and that the President and the Vice President, to a great extent, "control" the "message", by definition gives the White House a critical role in the Re-elect campaign.

Staffing of the '96 Re-elect and the Political Department of the White House will, in no small measure, be influenced by the decision as to whether the re-election campaign will primarily be run by the White House or by the '96 Re-elect. In addition, if

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Sub. 6/23/97

DNC011-01546

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14 August 1995

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there is no primary challenge, the DNC probably should play a significant role. If it is to do so effectively, however, certain staff changes at the DNC will be necessary.

Tab C describes a number of key personnel decisions regarding the White House, the '96 Re-elect, and the DNC many of which need to be made shortly after Labor Day.

4. '96 Primary C/G Re-elect:

- a. Location: Washington, D.C., Chicago, Little Rock, elsewhere? (There is sufficient space at 2100 M Street, Washington, D.C. to run both a primary campaign and a general election campaign.)
- b. Key personnel:
- (i) Campaign co-chair or co-chairs. (Given the probable importance of the women's vote, prominent women should be included.)
  - (ii) Campaign manager/campaign director.
  - (iii) Political Director.
  - (iv) Communications Director (Ann Lewis).
  - (v) Press Secretary.
  - (vi) Field Director.
  - (vii) Director of Administration (function performed by David Watkins in 1992).
  - (viii) Issues Director
  - (ix) Delegate Selection Coordinator
  - (x) Scheduler
- c. When to begin staffing the early primary/caucus states.
- (i) Iowa: Mike Tramantina has been hired by the '96 Re-elect, effective 1 August, at \$6,000/month to run Iowa. He has asked to be permitted to hire Steve Brody at \$5,000/month, but this decision has been held

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Sub. 6/23/97

DNC011-01547

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in abeyance. In addition, the Re-elect should have a press person on the ground in Iowa by mid September.

- (ii) New Hampshire: Michael Whouley is overseeing New Hampshire. But, he has strongly recommended that Nick Baldik be put on the '96 Re-elect payroll at \$3,000/month to work New Hampshire on a full time basis. In addition, the Re-elect will need a press secretary on the ground in New Hampshire by mid September.
- (iii) California: Bill Wardlaw has agreed to be the C/G Re-elect's chair for California, but urges that John Emerson be relocated to California by mid October, if he is to run California day to day.

d. Budget/fundraising:

- (i) Accept federal matching funds or not? (The federal government will match the first \$250 in contributions from an individual on a \$1 for \$1 basis.) Legally the Re-elect can wait until early January 1996 to decide whether federal matching funds are to be accepted, but, as explained below, that decision needs to be made within the next few weeks. If federal matching funds are accepted, the Re-elect can spend only about \$32 million pre Convention, plus \$6.4 million for fundraising, plus legal, accounting and compliance costs (for an estimated total of about \$43.4 million).
- (a) Although legally, the decision whether to accept federal matching funds does not have to be made until early January 1996, it should be made by early September. Terry McAuliffe and Laura Hartigan should be involved in that decision.
- (b) If federal matching funds are not accepted, then the \$1,000 limit per contributor remains in effect and no federal matching funds may be

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Sub. 6/23/97

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accepted by the campaign, but there will be no pre Convention spending limits imposed on the campaign.

- (c) The current fundraising plan of approximately \$43.4 million includes an estimated \$14.7 million in federal matching funds. It is expected that the \$43.4 million will be spent as follows: \$32 million for campaign related activities; \$6.5 million (20% of \$32 million) for fundraising costs (if fundraising costs exceed \$6.5 million, the additional costs are taken out of the \$32 million thereby reducing the amount available for campaign related expenditures); and \$4.9 million for legal, accounting and compliance expenditures (if these expenses are higher, more can be raised to cover them).
- (d) Thus, if the Re-elect decides not to accept federal matching funds, additional time and costs will be involved in raising the \$14.7 million, at \$1,000 per contribution. If these costs are factored in, the \$14.7 million is really worth more like \$16 or \$17 million. And this does not take into account the diversion of the time of the President, Vice President, HRC and Mrs. Gore which will be needed to raise the \$14.7 million plus (at \$1,000 per contributor maximum), which could otherwise be used for non fundraising campaigning or fundraising for the DCCC, DSCC or the DNC, or raising coordinated campaign funds for the general election, or funds for individual candidates.

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(e) Sources of funding substantial media purchase beginning September 1995 in the \$5 - \$10 million range, include:

- (i) the DNC,
- (ii) coalition of outside groups, including unions, DCCC, DSCC, etc., or
- (iii) the Re-elect

- DNC: The DNC will pay for the nearly \$900,000 for the August 1995 medicare spot time buy. Legally the funds paid by the DNC must be 60% "hard" or "federal" and 40% "soft". The August 1995 time buy will deplete the DNC's "hard" dollar account. The DNC is still paying off the debt incurred last year. Brad Marshall, the DNC's comptroller, estimates that the DNC could borrow \$4 million, at most, by early September on a 60/40 hard/soft split.

Although the DNC direct mail has exceeded expectations, competition by the Re-elect direct mail program, coupled with substantially fewer DNC fundraising events scheduled for the President, the Vice President, HRC and Mrs. Gore, during the last 5 months of 1995, compared to the first 6 months of the year, probably will result in a substantial reduction of DNC income during the last 6 months compared to the nearly \$23 million for the first 6 months.

- Outside groups: Various unions and other entities plan

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to spend approximately \$5 million or so on medicare related TV spots in selected markets during September 1995. The problem will be to get agreement on the message and markets. Although prompt agreement among the DNC, unions, DCCC, DSCC, etc. is unlikely, it may be worth a try.

Re-elect: The Re-elect will have \$5 - \$10 million available to spend during September through November 1995. This, however, is a major decision. If that amount is to be spent, the total spent by the end of November for TV spots will be approximately \$13.3 million (\$2.4 million for June/July, \$.9 million for August, \$10 million September through November). A decision to have the Re-elect spend even \$5 million during September - November 1995, not to speak of \$10 million, will effectively mean the Re-elect will not be able to accept federal matching funds, the acceptance of which limits pre Convention spending, for other than fundraising and legal/accounting/compliance, to \$32 million.

If the Re-elect spends \$12.5 or so (\$2.5 million June/July and \$10 million September - November 1995), and if, as some expect, the putative Republican nominee is effectively selected by early April, we will, in effect, face a 5 month general

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election period of April - August for which the Re-elect will either have few funds, or will have to raise substantial additional funds, in order for the President to hold his own during the April - August period. If the Republicans have spent most of their money during a bruising primary (and that will not necessarily be the case, if one of the candidates takes a strong and early lead in the primary/caucuses), the Re-elect would presumably be able to "get by" during the April - August period with fewer dollars. That is, however, a time during which the President should be in a strong financial position to be able to really hammer the Republicans going into their early August convention.

- (f) While in theory, it makes sense to try to move your numbers up during September through November 1995, it only makes sense if there is assurances that the Re-elect will be able to raise the monies to run the appropriate levels of media during the primary/caucuses as well as the April - August period. It is critical to take into account that even if the frontrunning Republican candidate has spent virtually all of his pre Convention monies by April, the Republicans have a broad range of allies that can make "independent" expenditures during the April through August period that will not be subject to the spending limits imposed on the Republican putative nominee (assuming he elects to accept federal matching funds) and which

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could be very harmful to the President, most especially if the Re-elect does not have sufficient funds to respond effectively. In addition, the RNC appears to be well financed and could undoubtedly design "generic" ads that could damage the Democrats in general and wash over against the President during the April - August period. (If the President and others are raising the \$14.7 million that otherwise would have come from federal funds, they will not be available to raise funds for the DNC to run similar "generic" ads.)

The plain fact is that unlike the Republicans' allies, the Democrats simply do not have allies that would or could conduct similar "independent" expenditures in support of the President. Thus, the decision about spending during the September - November 1995 period becomes all the more critical.

- (g) If the Re-elect decides not to accept federal matching funds, and exceeds the \$32 million pre Convention spending limit, it will undoubtedly be subject to a fire storm of criticism from the good government campaign finance reform groups and editorialist. It will also substantially undercut the President's argument to Perot and other voters that he is serious about campaign finance and lobbying reform.
- (h) There is the possibility, of course, that the putative Republican nominee may decide not to accept federal matching funds. Were that the case, it may change the dynamics substantially.

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- (ii) As of 31 July, about \$11,310,000 have been raised by the Re-elect (not including the approximately \$5 million in eligible federal match for that amount).

As of 31 July, Re-elect expenditures total \$5,700,000, including \$2.4 million for the June/July media production and time buy. Cash on hand was \$5,718,000.

- (iii) A proposed budget based on \$32 million spending will be ready by early next week (see, Tab D) which will show the proposed allocations for media, polling, fundraising, field, state operations, staff, central headquarters, and accounting/legal/compliance expenses. There should be a budget and fundraising meeting within 2 weeks after Labor Day to review the priorities draft budget.

5. Key early states: Decisions need to be made about the pre Convention staffing and spending for all key states, especially the early primary/caucus states. (Attached as Tab E is the current schedule of primaries and caucus dates.) These decisions cannot be made until overall budget decisions, some of which are discussed above, have been made.

Proposed pre Convention budgets are being developed for the key early states, which will be ready for discussion after Labor Day.

6. Political structures in key states: Beginning after Labor Day, C/G Re-elect leadership will begin organizing in the individual states. A balance must be struck between the desire of people in these various states to organize and "get going" on behalf of the Re-elect effort, and holding expenses down until next year -- especially if the general election will effectively begin in April and if the C/G Re-elect campaign accepts federal matching funds.

Doug Sosnik and Craig Smith have prepared preliminary memos for 34 key states which are attached as Tab F.

7. '95 races: There are 3 gubernatorial races (Louisiana, Mississippi and Kentucky) and the state legislative races in

Virginia where the Democrats narrowly control both houses. These races will be closely watched as an indication of the appeal of the Democratic party generally and that of the President in particular. There have been several meetings with the DNC regarding these races. The DNC has budgeted \$250,000 for contributions to each gubernatorial race and \$250,000 for the state legislative campaign in Virginia. (There are state legislative races in New Jersey as well, but given the margins by which the Republicans hold both houses, the DNC has decided not to put substantial money into those races.)

Rather than spreading DNC contributions, directed contributions and other resources evenly among the 3 gubernatorial races, it may be more politically effective to focus on only 2 of the 3 races. If the Democrats can win 2 of the 3 gubernatorial seats and hold the majorities in the Virginia legislative houses, we will at least have held our own. Were Democrats to lose 2 of the 3 gubernatorial races, that would be interpreted as a "loss".

8. Voter registration: Hugh Westbrook and Gary Baron are continuing their non partisan voter registration activity through a 501(c) organization. In the view of many, they are much more effective and cost efficient than the DNC with regard to voter registration. Therefore, whatever resources that ordinarily would be plowed into DNC voter registration efforts, should be directed to the Westbrook/Baron non partisan operation. The DNC should engage in only a minimal voter registration effort.

9. Absentee balloting/early voting: The DNC is preparing a memo for each state regarding absentee balloting and early voting in 1996, after which it will prepare plans for key general election states in that regard.

10. Recruiting candidates for 1996: The DCCC, the DSCC and the DGA and, to a lesser extent, the DNC are focusing on candidate recruitment for next year.

11. DNC: Depending on its role, and, to some extent, whether the President will face a "primary" challenge, decisions regarding both budget and staffing of the DNC need to be made.

- a. Budget: Chairman Fowler originally submitted a \$41.7 million expense budget for calendar '95. As of 28 June, he submitted a revised calendar '95 expense budget of \$36.7 million.

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The calendar '95 DNC payroll (as of 7 August 1995) is approximately \$6.2 million for approximately 143 people of which 7 (\$251,000/year) "volunteer" their time to White House operations; 4 (\$168,000/year) are for the Arkansas office; and 3 (\$155,000/year) are for Vice Presidential liaison.

The DNC had receipts for the last 6 months of approximately \$23 million, of which, some \$8 million were from direct mail. Substantially fewer Presidential, Vice Presidential and HRC fundraising events have been scheduled for the August - December 1995 period compared to the first 7 months of this year. In addition, although direct mail receipts have exceeded expectations, competition from the '96 Re-elect will probably reduce direct mail income to the DNC for the balance of 1995. Thus, it is expected that the DNC will raise substantially less in the second half than the \$23 million received during the first 6 months of 1995.

If the political activity of the DNC is either to continue at the same level or increase, fundraising efforts will have to be substantially stepped up.

Decisions need to be made about the DNC calendar 1996 operating budget, which, if 1992 is any gauge, will run \$40-42 million. In addition, there will be the coordinated campaign budget, which has been estimated at approximately an additional \$25 million for 1996.

- b. Staffing: The DNC's top staff is not particularly strong. Although there has been substantial improvement in the operation and functioning of the DNC since Chairman Fowler and Chairman Dodd took over, if the DNC is to play as effective a role as possible in 1996, the top staff needs to be strengthened. Recommendations are made at Tab C.
- c. Finance chair: Truman Arnold has resigned as the DNC's finance chair, effective as of the date a new person accepts the position. Suggestions are made at Tab C.

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12. Democratic National Convention: The operations and staffing for the Democratic National Convention, as well as the relationship between Debra DeLee and Mayor Daley, Bill Daley and the Chicago Host Committee, appear to be in relatively good shape.

- a. Budget: The federal government pays the total amount to put on the national convention. The slightly over \$12 million in federal payments have already been paid to the Democratic National Convention Committee ("Convention Committee") which is prohibited from spending more than the amount paid by the federal government.

In addition, the Chicago Host Committee, a citizens group of leading Chicagoans, is permitted to raise additional monies to spend in connection with the Convention.

Based on conversations among Debra DeLee, Don Fowler, Mayor Daley and Bill Daley, it is estimated that, in addition to the \$12 million from the federal government, the following will be raised in funds or in-kind:

|               |  |
|---------------|--|
| \$7 million - | Chicago Host Committee   |
| 6 million -   | State of Illinois  |
| 3 million -   | in kind from Chicago   |
| 10 million -  | City of Chicago (but only if this approximate amount cannot be raised otherwise) |

This approximately \$38 million (including the \$12 million in federal funds), is less than the approximately \$44 million called for by the contract between the Convention Committee and the City of Chicago. Both Ms. DeLee and Chairman Fowler are confident, however, that the Convention can be successfully run with approximately \$35 million in cash and an additional \$3 million in kind.

- b. Staffing: Attached as Tab G, is a schedule with proposed staff positions and, proposed staff for some of the top Convention positions. The only staff who have been hired to date, are Ms. DeLee and her immediate staff, Janet Green, as one of the 3 Deputy CEOs, who will be in charge of

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logistics and arrangements, and her assistant Betsy Eberling.

Ms. DeLee wants to hire Janice LaChance, whose resume is attached as Tab H, as the Deputy CEO for Production, Communication, etc. A director of communications and, in addition, a press secretary would be hired to work under that Deputy CEO.

She is also interested in hiring Michael Brown (Secretary Ron Brown's son) as the third Deputy CEO of the Convention.

These and many of the other staffing decisions outlined at Tab B need to be discussed and settled as soon as possible after Labor Day.

- c. Use of the Convention for DNC/DCCC/DSCC/DGA fundraising: Traditionally, the Convention has been used by the DNC, DCCC, DSCC and the DGA to raise funds for those respective committees. Attached as Tab I is an 8 August 1995 memorandum to Harold Ickes from R. Scott Pastrok, urging that this practice be continued for the 1996 Convention.

In addition, the Chicago Host Committee wants to use the Convention as a fundraising mechanism by permitting corporations or other entities "sponsor" certain elements of the Convention. Attached at Tab J is their preliminary proposal (which is being revised). For example, Ameritech wants to "sponsor" the media pavilion (the building next to the Convention building that will house the media) for which it would pay a sum of money to the Host Committee and, in return, would have its name on the media pavilion and would have other benefits at the Convention.

In addition, Ms. DeLee proposes to permit the Host Committee to have some 10 of the 150 available sky boxes which the Host Committee would, in turn, "sell" to its contributors. Likewise with the DCCC, DSCC, the DGA and the DNC with respect to sky boxes.

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Given the current situation regarding some of the fundraising techniques of the DNC, which the President has ordered to be discontinued, we need to decide on how the Convention is to be handled in this regard.

- d. Production: It is my understanding that Harry Thomasson will be very involved in working on the production of the Convention. Based on very recent conversations with Susan Thomases, it is also my understanding that Harry very much wants Gary Smith, who was the overall producer for the last Convention, to produce the technical aspects of the '96 Convention. Based upon my recent meeting with Steven Spielberg, he may well be interested in working with Harry regarding the overall production of the Convention.

If there is any disagreement regarding this aspect of the Convention, we need to discuss immediately after Labor Day.

- e. Podium: A model for the proposed podium for the Convention has been constructed. Debbie DeLee would like to show it to the President, the Vice President, HRC and Ms. Gore by the end of September so that construction plans can be gotten underway.

13. California:

- a. In addition to deciding who will run California on a day to day basis, and if it is to be John Emerson, when he is to move to California (Bill Wardlaw recommends late this year at the latest), focus needs to be directed to the potential petition to recall Governor Wilson, which Jesse Jackson has been discussing publicly. This could be very detrimental to the President's re-election efforts in California were it to go forward. Accordingly to John Emerson, there is little, if any, enthusiasm among leading California Democratic political leaders for this to go forward.
- b. Focus also needs to be placed on the anti affirmative action proposition which will undoubtedly be placed on the 1996 general election

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ballot in California as well as in other states. The DNC is preparing a memorandum regarding similar propositions in other states. According to John Emerson, nearly 700,000 valid signatures are needed to qualify such a petition, which in reality, means at least 1 million. He says the group promoting this proposition is broke, but he points out that Governor Wilson can't afford not to have the proposition on the November 1996 ballot.

14. Other fundraising: Attached at Tab K is a copy of my 14 August 1995 memorandum to the President and Vice President regarding fundraising for the various other entities and committees for 1995 and 1996.
15. Key arguments for the 1996 general election: We need to begin focusing on the key arguments for the 1996 general election:
  - a. for Clinton/Gore
  - b. against Clinton/Gore
  - c. Clinton/Gore proposals for 2nd term, i.e., for the future
  - d. for the Republican candidate
  - e. against the Republican candidate
16. Terry McAuliffe/Laura Hartigan: Terry and Laura expect to effectively wrap up the fundraising for '96 Re-elect by the end of this year (\$38 million including applicable federal match), unless the Re-elect decides not to accept federal matching funds. The balance of the money, approximately \$5.4 million will be raised by way of 6 direct mail solicitations next year.

There will remain, however, a great deal of fundraising of approximately \$75 million for 1996: \$40 million DNC 1996, \$25 million 1996 coordinated campaigns, \$10 million general election legal/accounting compliance account. (This does not include fundraising for the DSCC, DCCC, DGA, individual candidates and selected state parties.) It's not clear what either Terry or Laura want to do, after the completion of the fundraising for the Re-elect, but I do not think that

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Terry, at least, wants to carry on only as a fundraiser. Given the substantial demands for fundraising in addition to the needs of the Re-elect, we need to discuss what role you want to ask Terry and Laura to continue in that regard.

17. President's involvement in campaign planning: Beginning September you probably need to have a regular weekly political meeting with some of the White House political staff (in addition to the regular Wednesday night meetings in the residence) which perhaps should include Senator Dodd and Chairman Fowler. Additionally, we urge you to consider setting aside 15 to 30 minutes each day during your daily phone/office time for political updates on activities.

18. Allocation of time: Need to determine how much of the time of the President, Vice President, HRC and Mrs. Gore, should be allocated to the '96 re-election campaign during the next 4 to 5 months.

19. Re-allocation of White House staff: Serious consideration should be given to modest reallocation of White House staff from, for example, Domestic Policy Council, National Economic Council and administration, to, Political Department, Public Liaison and Communications.

20. Time buying for the Re-elect: Serious consideration should be given to retaining a time buying firm other than The Media Team of Squier, et al. The arguments for retaining a separate time buying group are set forth in my memorandum to the President and the Vice President, dated 24 July 1995, attached as Tab L.

21. Deputy Chief of Staff: The decision of who to replace Erskine as DCOS is not far off. See Tab C for suggestions.

22. Counsel: The decision of who to replace Ab Mikva when he resigns, as is apparently expected, is also not far off. See Tab C for suggestions.

Please let either of us know if you want additional information.

H  
0025755

23 October 1995

MEMORANDUM TO CHAIRMAN FOWLER

CC: CHAIRMAN DODD  
MARVIN ROSEN  
DOUG SOSNIEK  
KAREN HANCOX  
BOBBY WATSON  
RICHARD SULLIVAN  
BRAD MARSHALL  
BRIAN BAILEY

FROM: Harold Ickes *HI*

SUBJECT: DNC budget

As a result of our meeting on 20 October it is my understanding that:

1. Only approximately \$110,000 has been raised (other than by a line of credit from a bank) for the anticipated \$10 million media expenditures.
2. The DNC has a line of credit for \$7 million, of which \$4 million is "hard" (federal) and \$3 million is "soft", and the entire proceeds from that line of credit will, if necessary, go towards the \$10 million media buy which is expected to take place before the end of November.
3. According to Chairman Fowler, as of 20 October 1995, only \$1 million has been drawn against the \$7 million line of credit.
4. With respect to Oregon, there will be a dinner in Washington, DC attended by the President which is expected to raise approximately \$1 million dollars gross. In addition, approximately \$355,000 net is expected to be raised by direct mail from the following 4 sources:
  - DNC direct mail lists
  - C/G '96 Re-elect maxed-out individual donors
  - DNC donors list
  - C/G '96 Re-elect non-maxed-out donors
5. // Previously, I had requested of Bobby Watson that a separate bank account be opened by the DNC for the media fund and, in addition, that another bank account be opened for coordinated campaign funds. Based on conversations

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- with Bobby, it is my understanding that these 2 new accounts have been established. Please provide me with the name of each account.
6. Finally, my notes from the prior meeting held in the Roosevelt Room concerning the DNC budget indicated that you and Hal Malchow expected some \$4 to \$4.5 million to be raised by direct mail in 1995. If my notes are accurate in that regard, I don't understand why that amount was not shown on the budget documents presented at the 20 October 1995 budget meeting.

Please let me know if any of the foregoing is incorrect.

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MEMORANDUM

TO: Senator Dodd  
FROM: David Gillette  
DATE: November 3, 1995  
RE: Your meeting tomorrow with Fowler, Ickes and Sosnik

Tomorrow morning, Friday November 3, you will have your regularly scheduled meeting with Fowler, Ickes and Sosnik.

We recommend that you raise the following three agenda items:

- 1) The principle's message meetings: As you know, they have been held sporadically over the last few weeks and, when they are held, the attendance has been dismal. In short, it is an embarrassment and a missed opportunity. The next few weeks are key and a coordinated message strategy is needed. Staff continues to meet twice a week but a meeting of the principles is necessary.

In short, people will come if the agenda is relevant. Chairman Fowler controls the meetings and believes that they are held to discuss policy. Only you can convince him that he is wrong and that they are held to work on message and strategy -- Senators, Congressmen, Governors, etc... have other fora to discuss policy. These meetings must be about getting our message out.

- 2) DNC Advertisement: You may want to request from Harold that you and Don be consulted as decisions on what ads are to be run are made. You are put in a position of defending and discussing the ads but are not included in any way in the process. It would be helpful if you could be consulted either by Ickes, Morris or Squier as decisions are made.
- 3) Election day spin: While it is too early to predict what will happen next Tuesday, it would be valuable if you were to discuss what the White House is planning to say about the elections. You are debating Haley Barbour on Wednesday and knowing what the President and the White House is going to say, especially in a worst case scenario, would be very helpful.

DNC 3394610

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WIF

27 November 1995

MEMORANDUM TO CHAIRMAN DODD  
CHAIRMAN FOWLER  
MARVIN ROSEN  
SCOTT PASTRICK  
RICHARD SULLIVAN  
BOBBY WATSON  
BRAD MARSHALL  
BRIAN BAILEY

From: Harold Ickes (WIF)

Re: DNC media fund

Attached is a self explanatory 21 November 1995 to me from Terry McAuliffe, Laura Hartigan and Rick Lerner stating that they have raised over \$1.8 million for the DNC media fund and expect to be able to raise another \$430,000 by the close of the year, bringing the total to nearly \$2.3 million.

I would appreciate a response from the DNC as to whether they agree with these figures and whether the monies have actually come in.

Several weeks ago, I was told that only \$100,000 had been raised for the DNC media fund. Based on the attached memorandum, I trust that there has been a substantial influx of funds.

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15 January 1996

MEMORANDUM TO CHAIRMAN FOWLER

CC CHAIRMAN DODD  
BOBBY WATSON  
BRAD MARSHALL  
MAGGIE WILLIAMS  
RON KLAIN  
DAVID STRAUSS  
DOUG SOSNICK  
KAREN HANCOX

FROM HAROLD ICKES

RE DNC 1996 budget, dated 20 December 1995

Given the large amount of funds to be raised prior to the end of October this year for the DNC's operating budget, its media budget, its coordinated campaign budget, the 441a ad monies, the GELAC fund and other fundraising activities, it appears that the \$56 million proposed budget for the DNC may have to be substantially reduced. In order to facilitate a more discrete and rational review of the proposed budget, I request that you submit to me, by close of business Wednesday 17 January, a detailed description of the component parts of each of the 38 line items in the DNC 1996 budget summary, dated 20 December 1995. If one or more of the component parts for a particular line item involves a substantial amount, I request that a separate analysis of that component part(s) be provided as well.

I would appreciate as much detail as possible about the 5 line items (6-11) for "direct White House support" so I can more easily determine what cuts, if any, can be made in those amounts.

I also request that you submit a list of the current employees of the DNC, grouped by department, with their date of hire and their annualized rate of pay.

Finally, I request a written description of any arrangement (verbal or otherwise) the DNC may have with any state party regarding the amount of funds to be retained by the state party, or related entity, with respect to any DNC related fundraising that occurs in the state.

Please submit the foregoing by close of business 17 January 1996.

Please call if you have any questions.

Confidential Information

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**MEMORANDUM**

**TO:** Senator Dodd  
**FROM:** David Gillette  
**DATE:** January 30, 1996  
**RE:** Today's DNC meeting with Ickes & Sosnik

At 2:30 pm you are scheduled to attend a meeting with Don Fowler, Harold Ickes and Doug Sosnik in order to discuss the DNC budget and plans for the future. The agenda may evolve into a very specific discussion about how the budget can be cut, focussing both on personnel and on program. In the most extreme case, the DNC could become a "bank" to fund the year's media buy, the coordinated campaign and the research operation.

Currently, the DNC budget of \$121.5 million can be broken down in the following way:

- |    |   |                        |
|----|---|------------------------|
| 1. | DNC operations<br>(includes research, communications,<br>constituent outreach, training,<br>elected official outreach, chairmen's<br>offices) | \$27.0 million         |
| 2. | Fundraising   | 23.0 million           |
| 3. | DNC media fund  | 28.4 million           |
| 4. | DNC coordinated campaign  | 25.0 million           |
| 5. | DNC 441a(b)<br>(spent on behalf of candidates)  | 12.0 million           |
| 6. | DNC GOTV media<br>(Specialty press -- African<br>American, Hispanic, Asian, etc...)   | 5.0 million            |
| 7. | Debt retirement of state parties<br>(CA, MI)  | 1.1 million            |
|    |   | <u>\$121.5 million</u> |

Harold has informed us that the media budget is probably too low but we have not yet received an estimate of how much they want to spend. Our original figure was based on about \$1.4 million per week for five months (January-March, September-October).

By way of comparison, the DNC raised \$84 million in 1992, the last presidential election year. Accounting for inflation, that \$84 million would be in the mid-\$90's in 1996.

 DNC 3606294

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DNC229-02150

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DNC Budget Memo  
January 30, 1996  
Page two

I know you have had several discussions with Marvin Rosen about the DNC's ability to raise such a major sum. As of this morning, he is confident that he can raise \$90 - \$100 million, including \$30 million from direct mail. Marvin won't know for about six weeks if \$120 million is possible. To raise the \$120 million, Marvin will need exceptional cooperation from the White House and believes that a major and unprecedented outreach program to donors and potential donors is needed. Of the approximately \$120 million that needs to be raised, \$30 million will come from direct mail (with an overhead of \$12 million) and the remaining \$90 million from the major donor program (with an overhead of about \$11 million). We have currently exhausted our borrowing authority of \$7 million. We are asking for more authority but, at best, we are talking about a couple of million. Furthermore, the bank wants payment on the money we owe prior to the election.

I believe the DNC is likely to be told to spend more money on T.V. sometime this Spring. Even without additional T.V. spending, we will probably need to find \$10 - \$20 million in savings. By cutting the DNC drastically, basically having it function as a bank - funding research, television, finance, a bare-bones communications office, a campaign division that moves money to coordinated campaigns and acts merely as a liaison to states, the DNC Office of the Secretary and the Chair's offices - we could possibly save \$10-12 million. That would entail an end to the training program, an end to constituent outreach, the laying-off of 40-50 staff people and most of our consultants. To save more money, the coordinated campaign, now budgeted at \$25 million, would possibly need to be cut.

Senator, cuts of this nature would change the shape and mission of the DNC. The new DNC would almost singularly serve as a source of funds for the reelect and ignore the other elements of the Democratic Party. The enhanced communications effort would come to a halt, political outreach (blast-faxing, work with ethnic groups and media and continuing outreach to elected officials) would be drastically cut back. In short, money to bolster the President's reelection may be the best use of funds, nonetheless, it will not come cheap. To do so, we will likely alienate many groups and people and set-back some of the communications goals you have set out as priorities.

This memo constitutes a brief overview of the issues. I have copies of the DNC budget, line-by-line, for your review.

 DNC 3606295

Confidential Information

DNC229-02151

ATTACHMENT 36  
Page 2 of 2 2 of 50

0029331

March 18, 1996

MEMORANDUM FOR THE PRESIDENT  
THE VICE PRESIDENT

CC: LEON PANETTA  
DOUG SOSNIK

FROM: Harold Ickes *(initials)*

SUBJECT: Contract between the C/G '96 Re-elect and The Media Team  
(Squier & Knapp/ Morris/ Penn & Schoen/ et. al.)

On 14 March 1996, Doug Sosnik and I met with Mark Penn and Bill Knapp, the designated representatives of The Media Team ("Team") (Squier & Knapp/ Morris/ Penn & Schoen/ et. al.), to discuss the terms and conditions for the contract between the C/G '96 Re-elect Committee ("Re-elect") and the Team. (The last meeting for these purposes had occurred very late September 1995.)

1. To date some \$22.23 million has been spent by the Democratic National Committee ("DNC") and the Re-elect on TV airtime (not including polling or production), of which some \$2.94 million has been spent by the Re-elect.

From that amount, the Team has been paid about \$2,433,401 in commissions at an average rate of 10.9%.

Penn and Knapp propose the Team be paid 9% commission on the next \$60 million of air time purchased and 4% on all air time purchased thereafter. Assuming that, beginning 18 March, the Re-elect/ and DNC spend an additional \$60 million on air time, under their most recent proposal, the Team would be paid some \$7.833 million total in commissions for the period 6/95 - 11/96 for an average of 9.6% (\$7.833 million divided by \$82.0 million).

If the Re-elect and DNC spend \$120 million on air time, as has been discussed, and as described in section 1 of schedule A (dated 3/14/96) attached, rather than only \$82 million, under the Team's proposal, it would be paid a total of \$9.4 million in commissions for the period 6/95 - 11/96 for an average rate of 7.8%.

FEC-4069  
Sub. 6/23/97

DNC011-01183

ATTACHMENT 37  
Page 1 of 4

1 of 4

Team's proposal:

|            |                     | <u>\$ commission</u> | <u>effective %</u> |
|------------|---------------------|----------------------|--------------------|
| First      | 22.23 million       | 2,433,401            | 10.9%              |
| Next       | 60.0 million        | 5,400,000            | 9%                 |
| Thereafter | <u>38.0 million</u> | <u>1,520,000</u>     | <u>4.0%</u>        |
|            | \$120.23 million    | \$9,353,401          | 7.8%               |

Prior to last week's proposal, the Team's last proposal was made on 29 September (attached as schedule B). Under that prior proposal, the Team would have been paid \$5.6 million in commissions on the first \$82 million and \$9.4 million in commissions on \$120 million of time buy.

|                    | <u>9/95 proposal</u> |                    | <u>3/14/96 proposal</u> |                    |
|--------------------|----------------------|--------------------|-------------------------|--------------------|
|                    | <u>\$ commission</u> | <u>effective %</u> | <u>\$ commission</u>    | <u>effective %</u> |
| \$82 million time  | 5,600,000            | 6.8%               | 7,833,401               | 9.6%               |
| \$120 million time | 8,260,000            | 6.9%               | 9,353,401               | 7.8%               |

And under the Team's 9/95 proposal, total retainer fees through the general election would have been \$605,000 compared to the \$364,000 under the 3/14/96 proposal.

The Team's 3/14/96 proposal only deals with electronic media, polling and production of TV spots. It does not include persuasion/ GOTV direct mail; development and placement of newspaper ads, production of radio spots, etc.

Given the complexity of the regulations of the Federal Election Commission ("FEC") and the strictness of the applications of those regulations to campaigns in general, and to the media production/ placement in particular, it is critical that the Team have the experience and expertise or acquire the experience and expertise, to ensure that it and the Re-elect comply fully and timely with all FEC regulations and guidelines. Failure in this regard will result in time consuming and costly post November 1996 FEC audits and possible fines which are a personal liability of the presidential and vice presidential candidates. In addition, the Team must be able to track the ads and time buys of the other presidential candidates and provide the Re-elect with timely (often overnight) reports. This had been discussed among ourselves at some length, and it has been decided to rely on the Team in this regard and not to include the Greer, Margolis firm.

2. Retainer fees: Dick Morris is the only member of the Team who receives a monthly retainer fee, in addition to his share of the time buy commissions. Based on the current agreements, he will be paid \$364,000 in retainer fees for the period 12/94

through 11/96. See section 2 of schedule A attached. Under the Team's 3/14/96 proposal, other members of the Team would not be paid monthly retainer fees.

3. Polling: It is estimated that Penn & Schoen will be paid nearly \$4.0 million for polling and voter research for the period 12/94 - 11/96. See section 3 of schedule A attached. Presumably a profit is included.

Stan Greenberg is also under retainer by the DNC and conducts polling on a regular basis.

4. Media production: Production expenses for \$120 million of TV media are estimated by Squier/ Knapp at \$2.58 million. See section 4 of schedule A attached.
5. Travel expenses: Travel, hotel and related expenses for the consultants must also be paid. They are not included in the retainer fee or in the time buy commission.
6. Direct mail: At several of the weekly evening meetings, Penn, Schoen and Morris have alluded generally to targeted direct mail. No specifics have been forthcoming to date. In the event such a program is carried out, it will undoubtedly involve additional profit margins to whomever gets the contract for the program.

I point out that Hal Malchow, who handles the fundraising direct mail programs for both the DNC and the C/G '96 Re-elect, has developed targeted persuasion/ GOTV direct mail programs and is very interested in being considered in this respect for the C/G '96 Re-elect.

7. Convention: We need to decide whether Frank Greer or Squier/ Knapp, or both, are to be involved in the convention and, if so, the compensation/ fee to be paid.
8. Hold harmless re FEC audits: Substantial amounts can be incurred by the Re-elect in connection with post November FEC audits, and any such costs incurred by the Re-elect and any fines imposed by the FEC on the Re-elect as the result of the failure to strictly comply with FEC regulations, including the Team's failure to fully comply with FEC regulations in connection with the production and placement of media, become a personal liability of the Presidential and Vice Presidential candidates. The general election legal and accounting compliance fund ("GELAC"), for which the Re-elect expects to raise about \$12 million, is for the purpose of paying for costs and fines incurred in connection with FEC audits. I strongly suggest, however, that any agreement between the Team and the Re-elect contain a hold harmless clause in favor of the Re-elect over a specified amount incurred in connection with costs and fines resulting from FEC audits of media production/ placement. In order to ensure enforcement of the hold harmless clause (assuming it is included in the contract with the Team), the Re-elect should hold in escrow \$\_\_\_\_\_ million in commissions to be paid to the Team until all FEC audits have been completed. This will give the

Team additional incentive to ensure it establishes the capability to ensure the Re-elect's media production and placement is in compliance with all FEC requirements.

Before the next meeting with Messrs. Penn and Knapp regarding the financial arrangement between the Re-elect and the Team, I would like to discuss the foregoing with you in order to determine what you think is an equitable arrangement.

Let's discuss.

4

3/25/96 - Penn & Schoen memo U.P. 016  
this proposal

March 25, 1996

0029421

MEMORANDUM FOR THE PRESIDENT  
THE VICE PRESIDENT

CC: *Ready 3/25/96*  
P.  
Franklin  
HC  
Penn & Schoen  
LEON PANETTA  
EVELYN LIEBERMAN  
BRUCE LINDSEY  
DOUG SOSNIK

FROM: Harold Ickes *HS*

SUBJECT: Contract with the consultants (The Media Team) regarding polling, production of media and commission on airtime purchased

*3/25/96 - President  
opened memo with  
proposals -  
we thought the  
commissions would be  
on the lower; but  
couldn't see memo  
there in their proposal*

To date, neither the Clinton/ Gore '96 Re-elect ("Re-elect") nor the Democratic National Committee ("DNC") have contracts with the so called Media Team ("Team"), which is composed of Squier/ Knapp/ Dick Morris/ Penn & Schoen/ Hank Scheinkopf and Marius Penczner. (I have seen little evidence of recent participation of Scheinkopf or Penczner.)

1. Commissions on media air time: I propose the following financial terms for the relationship between the Team and the DNC and the Re-elect. Since the amount to be paid by the DNC and Re-elect, respectively, to the Team for the production of a specific television spot, time buying, polling, mail testing, etc., depends upon a legal determination by the DNC and Re-elect lawyers on a case by case basis, the following proposal is for a "comprehensive agreement" for both the Re-elect and DNC. (There would be a separate contract between the Team and the DNC and between the Team and the Re-elect.)<sup>1</sup>

On 14 March, Doug Sosnik and I met with Mark Penn and Bill Knapp, who represent the Team. They made a proposal, summarized below (which is summarized in my memorandum to the President and the Vice President, dated 18 March 1996, attached as schedule A at tab 1), that would result in \$7.8 million in commissions on the first 82 million of time buy, for an effective rate of 9.6%, compared to their offer made in late September

<sup>1</sup>Frank Greer has offered to do the time buy for the Re-elect at 4.25% commission. It has been decided not to have Frank participate with the Team. By her 5 January 1996 letter to me, Jean Brooks, Vice President of International Communications Group, Inc. of Los Angeles has offered a 2% commission fee on all time buys.

FEC-4110  
Sub. 6/23/97

DNC011-01223

1995 of \$5.6 million in commissions on the first \$82 million time buy for an effective rate of 6.8%.

0029422

|                    | <u>9/95 proposal</u> |                    | <u>3/14/96 proposal</u> |                    |
|--------------------|----------------------|--------------------|-------------------------|--------------------|
|                    | <u>\$ commission</u> | <u>effective %</u> | <u>\$ commission</u>    | <u>effective %</u> |
| \$82 million time  | 5,600,000            | 6.8%               | 7,833,401               | 9.6%               |
| \$120 million time | 8,260,000            | 6.9%               | 9,353,401               | 7.8%               |

Although it is impossible to accurately predict how much airtime the DNC and Re-elect will spend between July 1995 (the first time tv spots were aired) and November 1996, given that the Re-elect and the DNC have already spent some \$23 million on air time beginning late June 1995 (most of which has been spent since early October), it is safe to say that at least \$80 million will be spent by 5 November, and probably closer to \$100 million or more.

I propose that the Team be offered the following terms with respect to time buy commissions.

| <u>air time</u>            | <u>% commission</u> | <u>\$ commission</u> |
|----------------------------|---------------------|----------------------|
| First \$80 million         | 6.25%               | \$5,000,000          |
| Next \$20 million          | 4.75%               | 950,000              |
| -Average on \$100 million  | 5.95%               | 5,950,000            |
| Above \$100 million        | 4.0%                | TBD                  |
| -110 million (\$400,000)   | 5.77%               | 6,350,000            |
| -120 million (\$800,000)   | 5.63%               | 6,750,000            |
| -130 million (\$1,200,000) | 5.5%                | 7,150,000            |

Under the proposal, if \$80 million is spent on air time, the Team would be paid \$5.0 million in commissions.

If, as is likely, \$100 million is spent, commissions would be \$5.95 million.

If \$110 million is spent, commissions would be \$6.35 million.

If \$120 million is spent, commissions would be \$6.75 million.

In addition to time buy commissions, as shown on schedule B at tab 2, attached, it is estimated that additional payments will be made:

0029423

- \$364,000 retainer fee for Dick Morris
- \$4.0 million for polling (which probably includes a profit margin)
- \$2.0 million for media production (which probably includes a profit margin)
- travel and related expenses

This proposal does not include:

- \$7.5 million for GOTV media (\$5.0 million from the Re-elect and \$2.5 million from the DNC). It is expected that this media will be created and placed by "minority" media specialists.
- Fees, commissions and costs for any persuasion and GOTV mail.
- Costs for print ads.

The President: \_\_\_\_\_ I agree with the proposed fees/ commissions.

\_\_\_\_\_ Let's discuss

The Vice President: \_\_\_\_\_ I agree with the proposed fees/ commissions

\_\_\_\_\_ Let's discuss

2. Indemnification and hold harmless agreement

Given the complexity of the regulations of the Federal Election Commission ("FEC") governing production and placement of media, and the strictness with which the FEC applies its regulations, considerable experience and expertise is required by the firms representing the campaign in this regard. Failure of the media production/ purchasing firms to strictly and timely comply with all FEC regulations governing this area and to provide, on a timely basis, appropriate documentation from each of the station for each of the time buys, can result in additional post election audits by the FEC of the campaign, which costs will be born by the campaign, and which audits may result in fines imposed by the FEC. All such costs and fines imposed on the Re-elect are personal liabilities of the Presidential and Vice Presidential candidates.

In order to insure that the campaign is adequately protected, I strongly urge that an indemnification and hold harmless agreement be included in any contract(s) between the Team, or any individual members thereof, and the Re-elect, and between the Team and the DNC, by which the Team will indemnify and hold harmless the Re-elect and DNC for any costs, damages, fines, etc., and losses and court costs suffered by or claimed against the campaign, or DNC, directly or indirectly, including, but not limited to, any civil penalties by the FEC against the campaign, its employees or agents, "to the extent based on or arising wholly or substantially out of any negligent acts, breaches of the contract, or failure by the Team to respond to any requests of the campaign for documents or other assistance with respect to any FEC audit, inquiry from the FEC or any branch of federal, state, or local government."

In order to insure compliance with hold harmless agreement, the Team should be required to place in escrow the next \$300,000 of media commissions paid by the Re-elect.

The President: \_\_\_\_\_ I agree with the hold harmless proposal  
\_\_\_\_\_ Let's discuss

The Vice President: \_\_\_\_\_ I agree with the hold harmless proposal  
\_\_\_\_\_ Let's discuss

0029425

FEC-4114  
Sub. 8/23/97

DNC011-01227

ATTACHMENT 38  
Page 5 of 5

5 of 5

0026250

~~being budget - over~~

Doug: -

Removable to  
send or not?

Hand

DS says no.

17 April 1996

MEMORANDUM TO CHAIRMAN FOWLER

CC: Chairman Dodd  
 B.J. Thornberry  
 Marvin Rosen  
 Brad Marshall  
 Doug Sosnik  
 Karen Hancox

From: Harold Ickes

Re: 15 April 1996 meeting

This confirms the meeting that you and I and Doug Sosnik had on 15 April 1996 at your office during which it was agreed that all matters dealing with allocation and expenditure of monies involving the Democratic National Committee ("DNC") including, without limitation, the DNC's operating budget, media budget, coordinated campaign budget and any other budget or expenditure, and including expenditures and arrangements in connection with state splits, directed donations and other arrangements whereby monies from fundraising or other events are to be transferred to or otherwise allocated to state parties or other political entities and including any proposed transfer of budgetary items from DNC related budgets to the Democratic National Convention budget, are subject to the prior approval of the White House. It was agreed that a small working committee would be established which would include Chairman Fowler (or his representative), Chairman Dodd (or his representative), B.J. Thornberry, Brad Marshall, Marvin Rosen, Doug Sosnik, and others as may be agreed to, to meet at least once weekly, and more often if necessary, to implement this agreement.

FEC-0931  
 Sub. 6/23/97

DNC010-00932

20



Date: 7/3

Revised 5/23/96

MEMORANDUM #20

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On July 3 1996, Squier, Knapp, Ochs was authorized to:  
( ) produce \_\_\_\_\_ anomatics, not to exceed \$ \_\_\_\_\_ total.

produce 1 T.V. spots, not to exceed \$ \_\_\_\_\_ total.

purchase \$ \_\_\_\_\_ in time for tv commercials for the period

\_\_\_\_\_ to \_\_\_\_\_.

( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period

\_\_\_\_\_ to \_\_\_\_\_.

( ) other tobacco

1) C-4 buy - \$17,000 - 7/9 - 7/16

2) DNC buy - \$1.1 - 7/10 - 7/16 ← Brad

3) dubbing + shipping - C-4 - \$5,000

The cost will not exceed \$ 4) Production - \$19,000 - C-4

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

Harold Ickes 7/3/96  
signature

cc: Peter Knight Ted Carter Harold Ickes B.J. Thornberry LynUtrecht  
Bill Knapp Jeff King Doug Sosnik Brad Marshall JoanPollitt

Revised 4/17/96

Date: 5/20

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNEK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On May 20 1996, Squier, Knapp, Ochs were authorized to:

( ) produce \_\_\_\_\_ anomatics, not to exceed \$ \_\_\_\_\_ total.

( ) produce \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

purchase \$ 1,212,030 in time for tv commercials for the period

May 23 to May 30

( ) purchase \$ 1,212,030 in time for radio commercials for the period

\_\_\_\_\_ to \_\_\_\_\_

( ) other \_\_\_\_\_

The cost will not exceed \$ 1,212,030

( ) The cost will be allocated at 100 % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

( ) Attorneys to determine

Harold Ickes 5/22/96  
signature

cc: Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Jeff King Doug Sosnik Brad Marshall Joan Pollitt

 DNC 3479272

DNC222-00529

Date: 5/22

Revised 4/17/96

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On May 22 1996, Squier, Knapp, Ochs were authorized to:

produce 4 automatics, not to exceed \$ 4,500 total.

( ) produce \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

( ) purchase \$ \_\_\_\_\_ in time for tv commercials for the period \_\_\_\_\_ to \_\_\_\_\_.

( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period \_\_\_\_\_ to \_\_\_\_\_.

( ) other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The cost will not exceed \$ \_\_\_\_\_.

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

( ) Attorneys to determine

Harold Ickes 5/22/96  
signature

cc: Ted Carter                      Harold Ickes                      B.J. Thornberry                      Lyn Utrecht  
     Jeff King                        Doug Sosnik                        Brad Marshall                        Joan Pollitt

 DNC 3479271

DNC222-00528

Date: \_\_\_\_\_

MEMORANDUM

TO: JENNIFER O'CONNOR

FROM: HAROLD ICKES  
DOUG SOSNIK

RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On May 20 1996, Squier, Knapp, Ochs were authorized to:

( ) produce \_\_\_\_\_ anomatics, not to exceed \$ \_\_\_\_\_ total.

produce 1 T.V. spots, not to exceed \$ 12,500 total.

( ) purchase \$ \_\_\_\_\_ in time for tv commercials for the period \_\_\_\_\_ to \_\_\_\_\_.

( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period \_\_\_\_\_ to \_\_\_\_\_.

( ) other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The cost will not exceed \$ 12,500.

The cost will be allocated at \_\_\_\_\_ % for the DNC and 100 % for Clinton/ Gore '96

( ) Attorneys to determine

Harold Ickes 5/21/96  
signature

cc: Ted Carter                      Harold Ickes                      B.J. Thornberry                      Lyn Utrecht  
       Jeff King                        Doug Sosnik                        Brad Marshall                        Joan Pollitt

~~CONFIDENTIAL~~ DNC 3479275

DNC222-00532

Date: 5/20

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIEK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On May 20 1996, Squier, Knapp, Ochs were authorized to:  
( ) produce \_\_\_\_\_ anomatics, not to exceed \$ \_\_\_\_\_ total.  
 produce 1 T.V. spots, not to exceed \$ 26,145 total.  
( ) purchase \$ \_\_\_\_\_ in time for tv commercials for the period \_\_\_\_\_ to \_\_\_\_\_.  
( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period \_\_\_\_\_ to \_\_\_\_\_.  
 other + satellite it  
(+26,145 = producing + satelliting)

The cost will not exceed \$ 26,145

( ) The cost will be allocated at 100 % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

~~By~~ Attorneys to determine

Harold Ickes 5/21/96  
signature

cc: Ted Carter                      Harold Ickes                      B.J. Thornberry                      Lyn Utrecht  
Jeff King                              Doug Sosniek                      Brad Marshall                      Jean Pollitt

DNC 3479274

DNC222-00531

Date: 5/20

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On May 20 1996, Squier, Knapp, Ochs were authorized to:

- ( ) produce \_\_\_\_\_ animatics, not to exceed \$ \_\_\_\_\_ total.
- ( ) produce \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.
- ( ) purchase \$ \_\_\_\_\_ in time for tv commercials for the period \_\_\_\_\_ to \_\_\_\_\_.
- ( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period \_\_\_\_\_ to \_\_\_\_\_.

Other receive \$197,028 in overpayments for production costs from the DNC

The cost will not exceed \$ \_\_\_\_\_.

- ( ) The cost will be allocated at 100 % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96
- ( ) Attorneys to determine

Harold Ickes 5/20/96  
signature

|                |              |                 |              |
|----------------|--------------|-----------------|--------------|
| cc: Ted Carter | Harold Ickes | B.J. Thornberry | Lyn Utrecht  |
| Jeff King      | Doug Sosnik  | Brad Marshall   | Joan Pollitt |

 DNC 3479276

DNC222-00533

Date: 5/20

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On May 20 1996, Squier, Knapp, Ochs were authorized to:

( ) produce \_\_\_\_\_ anomatics, not to exceed \$ \_\_\_\_\_ total.

( ) produce \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

( ) purchase \$ \_\_\_\_\_ in time for tv commercials for the period \_\_\_\_\_ to \_\_\_\_\_.

( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period \_\_\_\_\_ to \_\_\_\_\_.

~~( )~~ other Receive \$111,682 from the DNC  
production for  
forwards run in DC, NH, SD + WI + RI  
in '95

The cost will not exceed \$ 111,682<sup>00</sup>

( ) The cost will be allocated at 100 % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

( ) Attorneys to determine

Harold Ickes 5/20/96  
signature

cc: Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Jeff King Doug Sosnik Brad Marshall Joan Pollitt

 DNC 3479291

DNC222-00548

Date: 5/17

Revised 4/17/96

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On May 17 1996, Squier, Knapp, Ochs were authorized to:  
 produce 6 anomatics, not to exceed \$ 5,000 total.  
( ) produce \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.  
( ) purchase \$ \_\_\_\_\_ in time for tv commercials for the period  
\_\_\_\_\_ to \_\_\_\_\_  
( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period  
\_\_\_\_\_ to \_\_\_\_\_  
( ) other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The cost will not exceed \$ 5,000

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and  
\_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

Harold Ickes 5/20/96  
signature

cc: Ted Carter                      Harold Ickes                      B.J. Thornberry                      Lyn Utrecht  
Jeff King                              Doug Sosnik                              Brad Marshall                              Joan Pollitt

 DNC 3479289

DNC222-00546

ATTACHMENT 40  
Page 8 of 10

1 of 2

Date: 5/17

Revised 4/17/96

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

- On May 14 1996, Squier, Knapp, Ochs were authorized to:
- ( ) produce \_\_\_\_\_ anomatics, not to exceed \$ \_\_\_\_\_ total.
  - ( ) produce \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.
  - purchase \$ 1,202,580 in time for tv commercials for the period  
May 16 to May 23.
  - ( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period  
\_\_\_\_\_ to \_\_\_\_\_.
  - ( ) other \_\_\_\_\_

The cost will not exceed \$ 1,202,580.

- ( ) The cost will be allocated at 100 % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96
- ( ) Attorneys to determine

[Signature]  
signature

|                |              |                 |              |
|----------------|--------------|-----------------|--------------|
| cc: Ted Carter | Harold Ickes | B.J. Thornberry | Lyn Utrecht  |
| Jeff King      | Doug Sosnik  | Brad Marshall   | Joan Pollitt |

 DNC 3479268

DNC222-00525





Date: 5/7

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO SQUIER, KNAPP, OCHS

On May 7 1996, Squier, Knapp, Ochs were authorized to:

( ) produce \_\_\_\_\_ anomatics, not to exceed \$ \_\_\_\_\_ total.

( ) produce \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

purchase \$ 1,202,580 in time for tv commercials for the period

May 9 to May 16

( ) purchase \$ \_\_\_\_\_ in time for radio commercials for the period

\_\_\_\_\_ to \_\_\_\_\_

( ) other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The cost will not exceed \$ 1,202,580

( ) The cost will be allocated at 100 % for the DNC and  
\_\_\_\_\_ % for Clinton/ Gore '96

( ) Attorneys to determine

Harold Ickes 5/7/96  
signature

cc: Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Jeff King Doug Sosnik Brad Marshall Joan Poliitt

 DNC 3479292

DNC222-00549



Revised 4/17/96

Date: May 8

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On May 8 1996, Penn and Schoen were authorized to:

- conduct a poll of about \_\_\_\_\_ samples, not to exceed \$ \_\_\_\_\_ total.
- conduct mail tests for 3 T.V. spots, not to exceed \$ 24,000 total.
- other \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

The cost will not exceed \$ 24,000.

The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on \_\_\_\_\_.

Harold Ickes 5/8/96  
signature

|                |              |                 |              |
|----------------|--------------|-----------------|--------------|
| cc: Ted Carter | Harold Ickes | B.J. Thornberry | Lyn Utrecht  |
| Jeff King      | Doug Sosnik  | Brad Marshall   | Joan Pollitt |

||||| DNC 3479294

DNC222-00551

ATTACHMENT 41  
Page 2 of 17

021

Date: 5/10

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On May 10 1996, Penn and Schoen were authorized to:

( ) conduct a poll of about \_\_\_\_\_ samples, not to exceed \$ \_\_\_\_\_ total.

conduct mail tests for 2 T.V. spots, not to exceed \$ 6,000 total.

( ) other \_\_\_\_\_

The cost will not exceed \$ 6,000.

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and  
\_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on 5/11

[Signature]  
signature

cc: Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Jeff King Doug Sosnik Brad Marshall Joan Pollitt

 DNC 3479296

DNC222-00553

Revised 4/17/96

Date: 5/17

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNICK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On May 17 1996, Penn and Schoen were authorized to:

- ( ) conduct a poll of about \_\_\_\_\_ samples, not to exceed \$ \_\_\_\_\_ total.
- (X) conduct mail tests for 6 T.V. spots, not to exceed \$ 24,000 total.
- ( ) other \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

The cost will not exceed \$ 24,000.

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

(X) Attorneys to determine

It will be conducted on May 18.

Harold Ickes 5/20/96  
signature

|                |              |                 |              |
|----------------|--------------|-----------------|--------------|
| cc: Ted Carter | Harold Ickes | B.J. Thornberry | Lyn Utrecht  |
| Jeff King      | Doug Sosnik  | Brad Marshall   | Joan Pollitt |

 DNC 3479288

DNC222-00545

ATTACHMENT 41  
Page 4 of 17 2 of 2

Date: 5/17

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On \_\_\_\_\_ 1996, Penn and Schoen were authorized to:

( ) conduct a poll of about 800 samples, not to exceed \$ 20,800 total.

( ) conduct mail tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

( ) other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The cost will not exceed \$ 20,800.

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and  
\_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on May 13 & 14.

Harold Ickes 5/17/96  
signature

cc: Ted Carter                      Harold Ickes                      B.J. Thornberry                      Lyn Utrecht  
Jeff King                              Doug Sosnik                              Brad Marshall                              Joan Pollitt

 DNC 3479287

DNC222-00544

ATTACHMENT 41  
Page 5 of 17

2 of 2



Date: 5/17

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On \_\_\_\_\_ 1996, Penn and Schoen were authorized to:

- conduct a poll of about 400 samples, not to exceed \$ 4,800 total.
- conduct mall tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.
- other \_\_\_\_\_

The cost will not exceed \$ 4,800.

The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on May 15.

Harold Ickes 5/20/96  
signature

|                |              |                 |              |
|----------------|--------------|-----------------|--------------|
| cc: Ted Carter | Harold Ickes | B.J. Thornberry | Lyn Utrecht  |
| Jeff King      | Doug Sosnik  | Brad Marshall   | Joan Pollitt |

 DNC 3479285

DNC222-00542

ATTACHMENT 41  
Page 7 of 17

2 of 2

Date: 5/17

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIEK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On \_\_\_\_\_ 1996, Penn and Schoen were authorized to:

conduct a poll of about 400 samples, not to exceed \$ 4,800 total.

conduct mail tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

other \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The cost will not exceed \$ \_\_\_\_\_.

The cost will be allocated at \_\_\_\_\_ % for the DNC and  
\_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on May 16

Harold Ickes 5/24/96  
signature

cc: Ted Carter  
Jeff King

Harold Ickes  
Doug Sosniek

B.J. Thornberry  
Brad Marshall

Lyn Utrecht  
Joan Pollitt

 DNC 3479284

DNC222-00541

Date: 5/20

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On May 20 1996, Penn and Schoen were authorized to:

conduct a poll of about 200 samples, not to exceed \$ 2400 total.

( ) conduct mail tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

( ) other \_\_\_\_\_

mini drug poll

The cost will not exceed \$ 2400.

( ) The cost will be allocated as \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on May 20.

Harold Ickes 5/21/96  
signature

cc: Ted Carter                      Harold Ickes                      B.J. Thornberry                      Lyn Utrecht  
Jeff King                              Doug Sosnik                      Brad Marshall                      Joan Pollitt

 DNC 3479273

DNC222-00530

1 of 1

Date: 5/22

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On May 22 1996, Penn and Schoen were authorized to:

conduct a poll of about \_\_\_\_\_ samples, not to exceed \$ \_\_\_\_\_ total.

conduct mall tests for 4 T.V. spots, not to exceed \$ 20,000 total.

other ↑  
2 cello 150 interviews 5/23  
2 cello 150 interviews 5/28

The cost will not exceed \$ \_\_\_\_\_.

The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on \_\_\_\_\_.

Harold Ickes 5/22/96  
signature

cc: Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Jeff King Doug Sosnik Brad Marshall Joan Pollitt

DNC 3479269

DNC222-00526

Date: 5/22

MEMORANDUM

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On May 22 1996, Penn and Schoen were authorized to:

conduct a poll of about 800 samples, not to exceed \$ 20,000 total.

conduct mall tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

other \_\_\_\_\_

The cost will not exceed \$ 20,000.

The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on \_\_\_\_\_

Harold Ickes 5/22/96  
signature

cc: Ted Carter  
Jeff King

Harold Ickes  
Doug Sosnik

B.J. Thornberry  
Brad Marshall

Lyn Utrecht  
Joan Pollitt

DNC 3479270

DNC222-00527

14.



0029603

Revised 5/23/96

Date: 7/1

MEMORANDUM #14

TO: JENNIFER O'CONNOR

FROM: HAROLD ICKES  
DOUG SOSNIK

RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On July 1 1996, Penn and Schoen was authorized to:  
 conduct a poll of about 800 samples, not to exceed \$ 25,000 total.

( ) conduct mail tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total

( ) other \_\_\_\_\_

The cost will not exceed \$ 30,000 ~~25,000~~.

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

~~Attorneys to determine~~

It will be conducted on July 1 + 2.

Harold Ickes 5/11/96  
signature

cc: Peter Knight Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Mark Penn Jeff King Doug Sosnik Brad Marshall Joan Pollitt

FEC-4292  
Sub. 6/23/97

*430,000*

*7/2 - revised cost - \$30,000 (more questions were added)*

Revised 5/23/96

Date: 7/1

MEMORANDUM #13

TO: JENNIFER O'CONNOR

FROM: HAROLD ICKES  
DOUG SOSNIK

RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On July 1 1996, Penn and Schoen was authorized to:

( ) conduct a poll of about \_\_\_\_\_ samples, not to exceed \$ \_\_\_\_\_ total.

conduct mall tests for 2 T.V. spots, not to exceed \$ 10,000 total.

( ) other \_\_\_\_\_

1) revised "Stop them"

2) Newborns vs attack ad

The cost will not exceed \$ 10,000.

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on July 2

Harold Ickes 7/1/96  
signature

cc: Peter Knight Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Mark Penn Jeff King Doug Sosnik Brad Marshall Joan Pollitt

Revised 5/23/96

Date: 8/13

MEMORANDUM #37

TO: JENNIFER O'CONNOR

FROM: HAROLD ICKES  
DOUG SOSNIK

RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On August 13 1996, Penn and Schoen was authorized to:

conduct a poll of about 600 samples, not to exceed \$ 12,400 total.

conduct mail tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

other 400 sample @ \$25  
200 sample @ \$12

The cost will not exceed \$ 12,400.

- The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96
- Attorneys to determine

It will be conducted on 8/13

Jennifer O'Connor 8/13/96  
signature

cc: Peter Knight Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Mark Penn Jeff King Doug Sosnik Brad Marshall Joan Pollitt

FEC-4288  
SUD. 6/23/97

Date: 8/14

MEMORANDUM #39

TO: JENNIFER O'CONNOR  
FROM: HAROLD ICKES  
DOUG SOSNIK  
RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On August 14 1996, Penn and Schoen was authorized to:

conduct a poll of about 600 samples, not to exceed \$ 12,400 total.

conduct mall tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

other 400 interviews @ \$25

\$ 200 " " \$12

The cost will not exceed \$ 12,400.

The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on Aug 14

Harold Ickes 8/14/96  
signature

cc: Peter Knight Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Mark Penn Jeff King Doug Sosnik Brad Marshall Joan Pollitt

Date: 8/14

MEMORANDUM

TO: JENNIFER O'CONNOR

FROM: HAROLD ICKES  
DOUG SOSNIK

RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On August 14 1996, Penn and Schoen was authorized to:

- ( ) conduct a poll of about \_\_\_\_\_ samples, not to exceed \$ \_\_\_\_\_ total.
- conduct mall tests for 2 ~~F.V.~~ spots, not to exceed \$ 10,000 total.  
calls
- ( ) other \_\_\_\_\_

Responses to RNC "Plan"

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The cost will not exceed \$ 10,000.

( ) The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on August 15.

Harold Ickes 8/14/96  
signature

cc: Peter Knight Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Mark Penn Jeff King Doug Sosnik Brad Marshall Joan Pollitt

Date: 8/15

MEMORANDUM

TO: JENNIFER O'CONNOR

FROM: HAROLD ICKES  
DOUG SOSNIK

RE: AUTHORIZATION TO PENN AND SCHOEN FOR POLLING

On August 15 1996, Penn and Schoen was authorized to:

conduct a poll of about 1,000 samples, not to exceed \$ 12,400 total.

conduct mail tests for \_\_\_\_\_ T.V. spots, not to exceed \$ \_\_\_\_\_ total.

other 400 @ \$25  
200 @ \$12

The cost will not exceed \$ 12,400.

The cost will be allocated at \_\_\_\_\_ % for the DNC and \_\_\_\_\_ % for Clinton/ Gore '96

Attorneys to determine

It will be conducted on Aug 15.

  
signature

cc: Peter Knight Ted Carter Harold Ickes B.J. Thornberry Lyn Utrecht  
Mark Penn Jeff King Doug Sosnik Brad Marshall Joan Pollitt

# CLINTON GORE '96

13 June 1996

Mr. William Knapp  
Squier, Knapp  
501 2nd Street, N.E.  
Washington, D.C. 20002

Dear Bill:

By close of business (5 p.m.) Thursday (13 June), please provide me with budgets for proposed media expenditures for the period 17 June - 29 August 1996. Please produce two budgets - one for the DNC and one for the Re-elect. The budgets should be on a week by week basis and should show separate line items for the following categories:

1. Television time (including commission)
2. Production
3. Production costs of animatics
4. Production costs of spots
5. Other production costs
6. Costs of shipping spots to stations
7. Any other costs for which you will request reimbursement. For these, please add a footnote explaining what they are.

Please consult Joe Sandler and Lyn Utrecht for the appropriate allocation.

Please call Jennifer O'Connor if you have questions.

Sincerely,

*Harold Ickes*  
Harold Ickes

cc: Doug Sosnik  
Karen Hancox  
Jennifer O'Connor  
Peter Knight  
Joe Sandler

1000 14th Street, N.W. • WASHINGTON, D.C. 20005-2000 • 202 331 1234 • FAX 202 638 1849

INTEGRITY OF THE ELECTIONS IS THE PRIMARY COMMITTEE'S FOCUS • CONTRIBUTIONS TO CLINTON/GORE '96 ARE NOT TAX-DEDUCTIBLE

 DNC 3387741

DNC183-01269

ATTACHMENT 42  
Page 1 of 2

102

JUN-14 96 18:58 FROM:9

12024562464

12024562464

TO:202 863 8174

PAGE:04

Lyn Utrecht



DNC 3387742

DNC183-01270

ATTACHMENT 42  
Page 2 of 2

2 of 2

0029361

Schedule A

7/2/96

June 24, 1996

**MEMORANDUM FOR THE PRESIDENT  
THE VICE PRESIDENT**

**CC:** LEON PANETTA  
EVELYN LIEBERMAN  
MAGGIE WILLIAMS  
RON KLAIN  
DOUG SOSNIK  
KAREN HANCOX  
JENNIFER O'CONNOR  
PETER KNIGHT

**FROM:** Harold Ickes

**SUBJECT:** Financial terms with The November 5 Group

As the result of several recent meetings which included Mark Penn, Bill Knapp, me, Doug Sosnik, Peter Knight, Karen Hancox and Jennifer O'Connor, we have reached agreement on assumptions, methodology and calculations regarding financial terms with the November 5 Group ("Group"). No agreement, however, has been reached on the financial terms themselves. There is a substantial gap between my last offer of 21 May and the Group's most recent offer of 16 June - a difference of \$1.7 million in commissions on \$100 million gross time buy.

We are now at the point for you to make a final decision on the terms you are prepared to agree to.

Summary:

The most recent offer by the Group on a \$100 million gross time buy would result in commissions of \$7.434 million. Their September offer on \$100 million gross time buy would result in \$6.825 million in commissions. My last offer on \$100 million gross time buy would result in \$5.698 in commissions.

The Group's argument that they should now be paid some \$600,000 more in commissions on \$100 million gross time buy compared to their September offer

(notwithstanding that there have been no material changes in circumstances or in the unit costs of providing services) is that they have worked these past months without the security of a contract.

Six options are set forth for your consideration at the end of this memorandum, along with a recommendation.

In making your decision, please keep in mind: 1) the Group's offer of September, which is \$600,000 lower in commissions (based on \$100 million gross time buy) than their most recent offer of 14 June, and which is also lower than their other offers of 18 April and 29 May; 2) that when they made their September 1995 offer, they expected to make a certain "profit" (\$6.2 million in commissions and retainer fees on \$80 million gross time buy which is the total time buy they anticipated at the time they made their September offer), but notwithstanding that no material circumstances have changed since September including no change in the unit costs of services they provide, they are now demanding to make substantially more "profit" on the same gross time buy; 3) they have already received a substantial amount of their "profit" "up front"; and 4) it is important to structure a financial arrangement that permits the purchase of as much air time as possible, which implies an agreement with a bonus incentive that provides for lower commission payments to the Group between now and 5 November with the "balance" to be paid as a "bonus" after the election, if you are re-elected.

#### Background:

Beginning June 1995, to date (June 25, 1996), \$43.2 million in gross media time has been spent on paid TV spots, of which approximately \$4.1 million has been paid in commissions and \$37.6 million has been used to purchase air time.\*

Based on FEC reports\*\*, it appears that Dick Morris is receiving at least 29% of commissions paid on time buy, in addition to his monthly retainer of \$14,000. He also is reimbursed for all travel related expenses. Thus for the period July 1995-25 June 1996, he has received an approximate total of \$1.34 million (29% of \$4.1 million total commissions plus \$154,000 for 11 months retainer) or an average of \$122,091/ month.

\* The fact that the \$37.6 million plus the \$4.1 million don't add \$43.2 million, is because of the calculation method used by the Group for its early buys.

\*\* Prior to the formation of The November 5 Group, the Re-elect and the DNC were required to report to the Federal Elections Commission ("FEC") the amount of time buy commissions that Squier/ Knapp paid to Dick Morris, et al. Squier, et al. reportedly formed the Group partially to preclude having to disclose how the commissions are split up among them. Thus since the Group was formed, on or about 14 February 1996, there is no way of determining from FEC reports how time buy commissions are divided.

Currently the weekly media time buy is some \$3 million gross on which a commission of 7% net is being paid. That, combined with Dick Morris' \$14,000 monthly retainer, amounts to commission plus retainer payments to the Group of \$200,000/ week (assuming 4.3 weeks/ month) or \$860,000/ month.

Time buys of \$2 million gross/ week with a commission of 7% net, plus the Morris \$14,000/ month retainer, amounts to commission/ retainer payments to the Group of \$134,097/ week or \$576,617/ month.

Actual and estimated gross time buy, commissions, media production, polling and travel related expenses for the period December 1994 - November 1996 are detailed in schedule A, dated 6/24/96, attached as tab A.

Schedule B, dated 6/4/96, attached as tab B, describes the different proposals made beginning with the Group's proposal of September 1995.

Schedule C, dated 6/10/96, attached as tab C, details the estimated proposed time buys for the period June 1995 through 4 November 1996.

The current positions are as follows:

|                          | (millions)            |                   |                     |
|--------------------------|-----------------------|-------------------|---------------------|
|                          | <u>Gross time buy</u> | <u>Commission</u> | <u>Average rate</u> |
| 1. <u>Group's latest</u> | \$80                  | \$6.239           | 8.64%               |
| <u>of 6/14</u>           | 100                   | 7.434             | 8.16%               |
|                          | 120                   | 8.016             | 7.26%               |

- \$57.3 pre-convention; balance in general
- \$3.4 in commission (10.4% gross or 12.5% net on first \$32.9 million in gross time buy)
- 6.35% net on next \$67.1 million time buy
- 3.0% net on all over \$100 million time buy
- Average 8.64% net commission on first \$80 million time buy
- Average 8.16% net commission on first \$100 million time buy
- Average 7.26% net commission on first \$120 million time buy

|                         | (millions)            |                   |                     |
|-------------------------|-----------------------|-------------------|---------------------|
|                         | <u>Gross time buy</u> | <u>Commission</u> | <u>Average rate</u> |
| 2. <u>My last offer</u> | \$80                  | \$4.791           | 6.5%                |
| <u>5/29</u>             | 100                   | 5.698             | 6.14%               |
|                         | 120                   | 6.467             | 5.77%               |

- \$58.7 pre-convention; balance post convention net

- \$3.4 in commission (10.4% gross or 12.25% net on first \$32.9 million in gross time buy)
- 2.58% net commission on next \$47.1 million gross time buy
- 4.75% net commission on next \$20 million
- 4.0% net commission on all time over \$100 million
- Average 6.5% net commission on first \$80 million time buy
- Average 6.14% net commission on first \$100 million time buy
- Average 5.77% net commission on first \$120 million time buy

|                        | (millions)            |                   |                     |
|------------------------|-----------------------|-------------------|---------------------|
|                        | <u>Gross time buy</u> | <u>Commission</u> | <u>Average rate</u> |
| 3. Group's Sept. offer | \$80                  | \$6.175           | 8.33%               |
|                        | 100                   | 6.825             | 7.30%               |
|                        | 120                   | 7.425             | 6.58%               |

- When they made this offer, the Group assumed:
  - \$50 million in post convention
  - 10% gross commission on first \$10 million gross time buy
  - 7% gross commission on next \$20 million
  - 3% gross on remainder of pre-convention spending
  - 7% gross on \$50 million in general
  - monthly retainers of \$10,000 for Penn & Schoen and \$15,000 for Squier/ Knapp for 13 months October 1995-October 1996

• I point out that when they made their September 1995 offer, they undoubtedly expected any final agreement would be lower than their offer.

The important fact is that in making their high September proposal (see item 1b of schedule B), the Group expected that total media spending would be approximately \$80 million gross (\$30 million pre-convention and a maximum of \$50 million post-convention). Thus when they made their September '95 offer, they anticipated earning some \$6.175 million in time buy commissions and retainer fees for Squier and Penn plus \$182,000 in fees for Morris, for a total of \$6.357 million, through 5 November 1996.

Under their September offer, they anticipated earning about \$7.6 million (including \$182,000 for the Morris retainer), on \$100 million gross time buy.

On 14 June (see item 6 of schedule B), the Group increased their offer by \$64,000 to \$6.239 million in commissions on \$80 million gross time buy and by \$600,000 to \$7.433 million on \$100 million gross time buy.

Thus, their latest proposal of 6/14 (item 6 on schedule B) on \$100 million gross time

buy is \$600,000 over their September proposal on \$100 million (see item 1b on schedule B) and \$1.7 million over my last proposal (see item 5 on schedule B).

Comparative commissions on \$100 million

|                 |                                     |
|-----------------|-------------------------------------|
| Group Sept. '95 | \$6.825 (see item 1b on schedule B) |
| Group 6/14/96   | \$7.433 (see item 6 on schedule B)  |
| My last offer   | \$5.698 (see item 4 on schedule A)  |

Options:

Option #1: Accept their September 1995 offer, but hold \$750,000 back, beginning immediately, which would be paid if you win the election. This would result in \$6.825 million in commissions on \$100 million gross time buy for an average of 7.4% net.

Option #2: Accept their September 1995 offer without holding any commissions back until after the November election. This would give them commissions of \$6.825 million on \$100 million gross for an average of 7.4% net.

Option #3: Accept their last offer of 6/14 of \$7.433, but hold back \$1 million until after the election, to be paid only if you win. This would give them commissions of \$7.433 million on \$100 million gross, for an average of 8.1% net, if you win the election. Otherwise, they would be paid \$6.433 million in commissions.

Option #4: Split the difference of \$1.127 million between my last offer and their September offer. This would give them a commission of \$6.26 million on \$100 million gross, for an average of 6.8% net.

Option #5: Split the difference of \$609,000 between their September offer and their most recent offer of 6/14 so they would be paid \$305,000 more than their September '95 offer, but the \$305,000 would not be paid until after 5 November and only if you win. This would give them a commission of \$7.13 million on \$100 million gross, for an average of 7.8% net.

Option #6: Accept their last offer of 6/14/96. This would give them \$7.433 million on \$100 million gross for an average commission of 8.1% net.

Summary of the 6 options:

|        | <u>Commissions<br/>before 5 November</u> | <u>Commissions<br/>post<br/>5 November</u> | <u>Total<br/>commissions</u> | <u>Average %<br/>commission<br/>on \$100 m</u> | <u>Net to<br/>stations</u> |
|--------|--|--|------------------------------|--|----------------------------|
| Opt #1 | \$6.075                                  | \$ .750                                    | \$6.825                      | 7.4% net                                       | 92.4                       |
| Opt #2 | \$6.825                                  | \$-0-                                      | \$6.825                      | 7.4% net                                       | 91.7                       |
| Opt #3 | \$6.433                                  | \$1.0                                      | \$7.433                      | 8.1% net                                       | 92.1                       |
| Opt #4 | \$6.261                                  | \$-0-                                      | \$6.261                      | 6.8% net                                       | 92.2                       |
| Opt #5 | \$6.825                                  | \$ .305                                    | \$7.13                       | 7.8% net                                       | 91.7                       |
| Opt #6 | \$7.433                                  | \$-0-                                      | \$7.433                      | 8.2% net                                       | 91.1                       |

Recommendation:

I think all the options listed above are too high in their favor. My last offer of \$5.698 million in commissions (which does not include the \$182,000 additional money to be paid to Dick Morris as a separate retainer fee) (see item #5 on schedule B) is more than generous. Based on all the circumstances, however, I recommend option #1, which will give the Group exactly what they offered during September. (It will, in my opinion, give them more than they, in fact, expected to get in a final negotiated deal.) Holding back \$750,000 in commissions to be paid only if you win, gives an additional incentive to them. This option also permits the most money to be actually spent on time buy (net to stations) than any of the other options.

As a fallback position, I recommend option #2, which is exactly their September offer.

Peter Knight recommends accepting option #3 which is their last offer of 6/14, but which holds back \$1 million to be paid after the election only if you win.

Finally, with time buy ranging between \$2 to \$3 million/ week, it is imperative to come to closure ~~this week~~, or they will have what they want leaving us with little negotiating room.

**Actual and estimated gross time buy, commissions,  
media production, polling and travel related  
expenses December 1994-November 1996**

**Actual:****Dec '94 to 31 May '96 (actual)**

|                                     |                               |
|-------------------------------------|-------------------------------|
| •gross time buy (inc. commissions): | \$35.4 million (6/95-5/31/96) |
| •commissions:                       | 3.6 million (6/95-5/31/96)    |
| •media production:                  | 1.4 million (6/95-5/31/96)    |
| •polling:                           | 2.1 million (12/94-5/31/96)   |
| •travel related expenses:           | .114 million (12/94-5/31/96)* |

\*very rough estimate and doesn't include Squier figures  
because they are mixed in with production

**Future estimated expenditures:****1 June to 26 August:**

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| •gross time buy (inc. commissions): | \$23.3 million                    |
| •commissions:                       | 1.34 million (based on 6.35% net) |
| •media production:                  | .986 million (est.)               |
| •polling:                           | .626 million (1 June - 29 August) |
| •travel related expenses:           | .102 million (rough est.)         |

**26 August - 30 August:**

|                            |                 |
|----------------------------|-----------------|
| •gross (inc. commissions): | \$ .816 million |
| •commissions               | \$ .049 million |

**30 August to 5 November:**

|                                      |                      |
|--------------------------------------|----------------------|
| •gross time buy: (inc. commissions): | \$43.7 million       |
| •commissions:                        | 2.51 million         |
| •media production:                   | 2.4 million          |
| •polling:                            | 2.5 million (est.)   |
| •travel related expenses:            | .120 million (rough) |

The estimated expenditures above are based on the memorandum of 20 June 1996 from Squier/ Knapp to Harold Ickes, et. al., and the polling budget dated 20 June 1996 from Penn & Schoen.

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Schedule B - Proposals

## I. (Internal - "Gross time buy method")

|     |  | <u>Time buy</u> | <u>Net to Stations</u> | <u>% Commission</u> | <u>\$Commission</u> |
|-----|--|-----------------|------------------------|---------------------|---------------------|
| 1a. | Group 9 Sept<br>(w/o S/K-P/S<br>retainer)  | \$ 80 m         | \$74.1 m               | 7.96% net           | \$5.9 m             |
|     |  | \$ 100 m        | \$93.5 m               | 6.95% net           | \$6.5 m             |
| 1b. | Group 9 Sept<br>(inc. S/K-P/S<br>retainer) | \$ 80 m         | \$74.1 m               | 8.33% net           | \$6.175 m           |
|     |  | \$ 100m         | \$93.5 m               | 7.3% net            | \$6.825 m           |
| 2.  | C/G-DNC<br>11 April                        | \$ 80 m         | \$75.29 m              | 6.25% net           | \$4.71 m            |
|     |  | \$100 m*        | \$94.39 m              | 5.95% net           | \$5.61 m            |
| 3.  | Group 18<br>April                          | \$ 80 m         | \$71.5 m               | 9.8% net            | \$7.02 m            |
|     |  | \$ 100 m        | \$90.5 m               | 8.8% net            | \$7.97 m            |
| 4.  | C/G 21<br>May                              | \$ 80 m         | \$73.70 m              | 6.5% net            | \$4.79 m            |
|     |  | \$ 100 m*       | \$92.79 m              | 6.14% net           | \$5.70 m            |
| 5.  | Group 29<br>May                            | \$ 80 m         | \$71.99 m              | 9.04% net           | \$6.51 m            |
|     |  | \$100 m*        | \$91.07 m              | 8.14% net           | \$7.42 m            |
| 6.  | Group 14<br>June                           | \$ 80 m         | \$72.2 m               | 8.64% net           | \$6.24 m            |
|     |  | \$100 m         | \$91.1 m               | 8.16% net           | \$7.43 m            |

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\* The commission on the \$20 million added to the first \$80 million to get to the first \$100 million is 4.75% net for these proposals because all parties have agreed on that commission for the next \$20 million.

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